

Question:

Is zakaat payable on contributions to pension funds?

Answer:

Pension funds are generally divided into two categories viz.:

(1) A voluntary pension fund i.e. a person voluntarily invests a portion of his earnings into a pension fund. There is no law that compels the employer to enlist his employees in the pension fund. Rather, this is done based on a mutual understanding between the two parties. In this instance, the money being set aside as pension is zakaatable i.e. this will be included in your assets when you calculate your zakaat. (In reality this is like any other savings account i.e. you are voluntarily depositing your money in this pension fund.)

(2) Due to legislation, a person is compelled to donate a portion of his earnings to the pension fund. In this instance zakaat will only become compulsory once he has taken possession of the money. (In this instance the person has no control over the money that is deducted from his salary. Generally, this forms part of the law of the country. Therefore, in most instances, the person has no choice but to abide by the law.)

This ruling has been extracted from the following authentic sources:

1. Fatawaa Rahimiyah
2. Fatawaa Darul Uloom
3. Fatawaa Kazi khan

Fatawa Darul Ulūm Zakariyyā, vol. 3, Pg. 145

And Allah knows best

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