

ZAKAT POLICY

1. BACKGROUND AND PURPOSE

ICNA Canada is committed to the transparent, accountable, and Islamically compliant collection, administration, and distribution of Zakat funds. This Zakat Policy aligns with established Islamic principles derived from the Qur'an and Sunnah, as well as best practices within the international charitable sector.

ICNA Canada administers Zakat in full compliance with the Income Tax Act (Canada), Canada Revenue Agency (CRA) Charities Directorate requirements, and applicable federal, provincial, and territorial legislation governing charitable organizations.

Zakat entrusted to ICNA Canada is treated as a sacred trust (Amanah) and is managed with the highest standards of integrity, governance, and stewardship.

2. PURPOSE OF THE POLICY

The purpose of this policy is to:

- Clearly define ICNA Canada's approach to collecting, administering, and distributing Zakat.
- Ensure Zakat funds are handled in strict accordance with Islamic jurisprudence and Canadian charitable law.
- Provide transparency and accountability to donors regarding the use and impact of Zakat.
- Establish internal governance guidelines for Zakat-eligible projects and beneficiaries.
- Distinguish Zakat from other forms of charitable giving, including Sadaqah.
- Guide the Board of Directors, management, staff, and volunteers in fulfilling their responsibilities related to Zakat.
- Safeguard the dignity, rights, and welfare of Zakat recipients.
- Ensure continuous improvement of Zakat processes, monitoring, and reporting.

3. DEFINITIONS AND TERMINOLOGY

- **Zakat:** A mandatory act of worship requiring eligible Muslims to give a prescribed portion of specific types of wealth to eligible recipients. Within this policy, Zakat refers exclusively to funds donated to ICNA Canada for Zakat-eligible distribution.
- **Sadaqah:** Voluntary charitable donations that are unrestricted and may be used for general charitable purposes, including programs and administrative costs.

- **Nisab:** The minimum threshold of wealth that triggers the obligation to pay Zakat.
- **Zakat Fund:** A restricted fund maintained separately from all non-Zakat donations.

4. UNDERSTANDING ZAKAT

Zakat is one of the **Five Pillars of Islam** and represents a fundamental obligation upon eligible Muslims. It serves as:

- A purification of wealth
- A mechanism for poverty alleviation
- A tool for social justice and wealth redistribution
- An act of spiritual growth and obedience to Allah

Zakat is not voluntary charity, nor is it a tax. It is the **right of eligible recipients** upon the wealth of those who meet the criteria.

5. ELIGIBILITY TO RECEIVE ZAKAT

The Qur'an identifies eight categories of Zakat recipients (Surah At-Tawbah 9:60). ICNA Canada may distribute Zakat to eligible individuals (or eligible use-cases) within the following categories, subject to Islamic criteria, due diligence, and applicable Canadian legal requirements:

1. **The Poor (Al-Fuqara)** – Individuals/households with insufficient means to meet basic needs and whose net assets fall below the Nisab.
2. **The Needy (Al-Masakin)** – Individuals experiencing hardship or extreme poverty despite having limited or unstable income.
3. **Zakat Administrators (Al-'Amilina 'Alayha)** – Authorized personnel engaged in the collection, safeguarding, administration, and distribution of Zakat (within Shariah parameters).
4. **Those Whose Hearts Are To Be Reconciled (Al-Mu'allafatu Qulubuhum)** – Individuals for whom support serves a legitimate Shariah objective of reconciliation/strengthening hearts toward Islam, as determined by qualified scholarly guidance.
5. **Freeing Those in Bondage (Fir-Riqab)** – Eligible efforts to free individuals from bondage or comparable forms of coercive captivity, consistent with contemporary lawful realities and scholarly guidance.
6. **Those in Debt (Al-Gharimin)** – Individuals overwhelmed by legitimate debts incurred for permissible needs and unable to repay.

7. **In the Cause of Allah (Fi Sabilillah)** – Eligible Shariah-defined causes serving the public good of the Ummah, as determined by qualified scholarly guidance, with distribution structured to ensure Zakat eligibility is met.
8. **The Wayfarer (Ibn As-Sabil)** – A stranded traveler lacking access to funds for basic needs and safe return.

For further details and operational guidance on each category, please refer to Appendix 1

Zakat recipients must:

- Be eligible under Islamic criteria.
- Not be the donor's immediate dependents (spouse, parents, children, or grandparents).
- Be assessed through needs-based evaluation processes.

6. SCOPE OF ZAKAT DISTRIBUTION

Zakat funds administered by ICNA Canada are restricted to:

- **Emergency humanitarian relief** that preserves life and dignity.
- **Development projects** that directly benefit Zakat-eligible individuals.
- **Muslim-majority communities**, where Zakat eligibility can be clearly established.

Zakat is distributed in a manner that ensures **individual ownership or direct benefit** to eligible recipients.

7. ZAKAT-ELIGIBLE WEALTH

Zakat is due on, but not limited to:

- Cash and savings
- Business inventory
- Stocks and mutual funds
- Trade properties
- Gold and silver held as wealth
- Pensions and investment accounts
- Agricultural produce (subject to Islamic rulings)

Zakat is **not due** on:

- Primary residence
- Personal vehicles
- Personal belongings and household items
- Business fixed assets

- Rental property (Zakat applies only to net rental income)

ICNA Canada encourages donors to seek scholarly or professional guidance for complex calculations.

8. RATE, TIMING, AND PAYMENT OF ZAKAT

- Zakat is calculated at **2.5%** of eligible wealth above the Nisab.
- Eligible wealth must have been held for **one lunar year**.
- Zakat may be paid at any time but is commonly paid during **Ramadan**.
- Zakat should be paid promptly once due.

ICNA Canada provides general guidance and tools to assist donors but does not replace individual obligation or accountability.

9. ZAKAT-UL-FITR (FITRAH)

Zakat-ul-Fitr is a mandatory charity due at the end of Ramadan and must be paid on behalf of each household member.

- It is intended to purify the fast and assist the poor before Eid.
- ICNA Canada sets the value annually based on local market assessments.
- Funds are distributed prior to or immediately following Eid, in accordance with Islamic requirements.

10. COLLECTION OF ZAKAT

- Zakat is collected through clearly designated channels (online, in-person, campaigns).
- Donors are clearly informed when a donation is classified as Zakat.
- Staff and volunteers involved in Zakat collection are trained in Zakat principles.
- Zakat may be donated year-round, according to donor preference.

11. ADMINISTRATION AND MANAGEMENT OF ZAKAT FUNDS

11.1 SEPARATION OF FUNDS

- All Zakat donations are deposited into a **separate restricted Zakat fund**.
- Zakat funds are never co-mingled with Sadaqah or unrestricted funds.

11.2 DISBURSEMENT TIMELINE

- Zakat is distributed within **one lunar year** of receipt.
- ICNA Canada aims to disburse Zakat **within six months**, where feasible.
- No Zakat funds are intentionally retained beyond the permissible period.

12. USE OF ZAKAT FUNDS

Zakat funds may be used for:

- Direct cash assistance or essential goods
- Food, shelter, healthcare, education, and livelihood support
- Necessary project-related logistics and in-country operational costs directly linked to Zakat delivery

Recipients are informed when assistance is funded through Zakat.

12.1 Zakat Administration and Management (Al-‘Amilina ‘Alayha)

In accordance with the Qur’anic injunction:

إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمَلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ
 وَفِي الرِّقَابِ وَالْغَرَمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ ۗ فَرِيضَةً مِّنَ اللَّهِ
 ۗ وَاللَّهُ عَلِيمٌ حَكِيمٌ ﴿9:60﴾

(Surah At-Tawbah, 9:60)

“Zakat expenditures are only for the poor and the needy, and those employed to collect it, and for bringing hearts together, and for freeing those in bondage, and for those in debt, and for the cause of Allah, and for the wayfarer—an obligation imposed by Allah.”

ICNA Canada may allocate a portion of Zakat funds to authorized Zakat administrators (Al-‘Amilina ‘Alayha) for services directly related to the collection, safeguarding, compliance, assessment, and distribution of Zakat.

Such allocations are:

- Strictly restricted to costs directly attributable to Zakat operations, meaning expenses that arise solely from the administration and delivery of Zakat and would not otherwise exist,
- Limited to a maximum of 10% of total Zakat collections,
- Exclusive of fundraising, marketing, and general organizational overhead, and
- Subject to internal controls, audit oversight, and transparent reporting.

Any unused portion of the Zakat administration allocation remains within the restricted Zakat fund and is distributed to other eligible Zakat categories.

13. NON-DISCRIMINATION AND COMPLEMENTARY FUNDING

ICNA Canada delivers humanitarian assistance based on need and dignity. In mixed-faith communities:

- Zakat funds are allocated exclusively to eligible recipients.
- Non-Zakat funds (e.g., Sadaqah) are used to support others in need.

14. GOVERNANCE, OVERSIGHT, AND ACCOUNTABILITY

- Zakat activities are overseen by ICNA Canada's leadership and Board.
- Annual external financial audits are conducted by an independent accounting firm.
- Internal reviews ensure Zakat compliance with Islamic and legal standards.
- Zakat processes, allocations, and outcomes are documented and reported.

15. TRANSPARENCY AND REPORTING

ICNA Canada commits to:

- Public financial reporting
- Program impact reporting
- Clear donor communication regarding Zakat use
- Continuous improvement of Zakat governance and controls

16. REVIEW AND CONTINUOUS IMPROVEMENT

This policy will be reviewed annually to ensure it remains effective, relevant, and in line with emerging legal standards and organizational needs. Revisions may be made upon recommendation by the Board or compliance officers.