



Zakat Policy

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1. What's this policy about?

We're committed to receive and distribute Zakat compliant with Shariah, in line with giver expectations, and in an honest and ethical manner. We're committed to having in place and enforcing effective systems which ensure such adherence, details of which are set out below. Givers can be confident they can give to NZF knowing that the funds will be used carefully and appropriately. This policy reduces the risk of giving Zakat to ineligible applicants.

This policy sets out our responsibilities in observing and upholding the policy and processes related to Zakat. It also provides information and guidance on how we can mitigate against the risk of being non-compliant. This policy has been developed with significant input from scholars and Shariah advisors.

2. Who's covered by this policy?

This policy applies to anyone who works for National Zakat Foundation (NZF) or on behalf of NZF, in any capacity, regardless of where they are located ('Team member'). This includes employees, directors and other officers, workers, agency workers, contractors, consultants, third-party representatives, agents and partners.

We'll make sure all new team members can access the policy when they join our organization, and that anyone else can also access the policy. In addition, our approach to Zakat receipt and distribution will be communicated to our suppliers, contractors and partners as needed when beginning and continuing our relationship with them.

3. Who's responsible for this policy?

The Trustees are responsible for preparing and maintaining this policy. The Trustees are also responsible for making sure this policy is complied with. The Trustees have delegated responsibility to the Chief Operating Officer (COO) for preparing, maintaining, and obtaining approval for the policy. The Trustees have delegated responsibility to the Head of Programmes for ensuring compliance with the policy and policy relevance.

Its successful operation also depends on the team. Each team leader is responsible for making sure each team member receives adequate and regular training as needed on our approach to Zakat. Each team member is responsible for taking the time to read and understand this policy, and to go back to their team leader with any questions they may have.

4. How is Zakat received?

Zakat funds for grants to eligible applicants are received centrally and then identified and segregated from other funds. (Under exceptional circumstances, we may return the amount given – for example, if it was done in error and it is within 7 days of the date of receipt of giving.)

At the time of giving, we give an easy-to-understand fund choice to the giver, so the giver can choose through which fund they would like their Zakat to be distributed. We will respect that

choice. (If absolutely necessary, we enable a giver to change their fund preferences, within a maximum of 7 days from the date of receipt of giving).

We give choice to the giver as to how they would like to contribute to the distribution service of receiving their Zakat, verifying applicants and distributing their Zakat to people in need. Givers may cover the contribution from Zakat or Sadaqah. Either way, we limit the contribution to no more than 10% of the value of a giver's Zakat, unless a giver voluntarily chooses a higher amount.

We make these commitments public:

<https://nzf.org.uk/about-nzf/policies/giving-promise/>

5. How is Zakat distributed?

NZF uses the Hanafi Fiqh criteria in distributing Zakat.

Which funds can applicants apply to?

Applicants can apply to four funds:

1. Hardship Relief Fund
2. Housing Fund
3. Work Fund
4. Education Fund

These funds give applicants clarity about what type of support is offered by NZF.

Applicants can pre-check eligibility online and apply online to each of the funds.

What are the Shariah principles for distribution?

NZF enters into an agency agreement with the applicant (*wakalah*), whereby the ownership of Zakat funds is transferred to the Zakat recipient. Applicants authorise NZF to receive Zakat funds on their behalf and use as NZF considers best to address the needs of the eligible applicant. Any time a service needs to be paid for, there must be an agency agreement (*wakalah*) which ensures that the creditor is receiving Zakat funds on behalf of the recipient with the recipient's consent. With the agreement in place, NZF may also use Zakat funds to contribute to the Zakat distribution service, which includes applicant checking. For more details on this agency agreement, see Appendix 1: [the Wakalah model](#)

Who is eligible for Zakat?

The Zakat applicant must be a Muslim.

The Zakat applicant must be regarded as *faqir* (poor) according to the Hanafi definition of poverty, i.e., the Zakat applicant's net Zakatable assets and unused personal assets of a year are below the Nisab.¹

¹ The Nisab is a wealth threshold, above which a person is obliged to pay Zakat.

Eligibility criteria for specific funds are made publicly available on the website.

How is eligibility checked?

The eligibility of a person is established based on the principle that Grants Officers observe sufficient evidence to believe that the applicant is eligible. This is the standard expected in the texts of Sacred Law to maintain the dignity of applicants.

To give assurance that a person is eligible for Zakat, a Grants Officer will review evidence relating to:

- Applicant, spouse and children IDs
- Net income
- Net assets
- Situation

How is the Zakat distributed to eligible applicants?

We distribute the funds in the order in which they are received. We make sure Muslims in need receive the giver's Zakat within a lunar year.

If Zakat is collected for a particular fund, NZF will make every effort to spend and distribute the Zakat to benefit eligible applicants applying to that fund. Rarely, there may not be enough eligible applicants applying to the giver's chosen fund in that lunar year. If so, we will transfer that Zakat to the fund where the need is greatest.

Zakat is given to eligible applicants directly as a cash transfer or in kind. The process varies across the funds:

- In the Hardship Relief Fund, Zakat is transferred to the applicant's bank account where the applicant has a bank account. Where the applicant does not have a bank account, Zakat is transferred through the next most efficient method, such as digital vouchers sent directly to the applicant or through a reputable third party.
- In the Housing Fund, Zakat is paid to the landlord directly on the applicant's behalf. For rent arrears and Council Tax arrears, Zakat is paid to the Council or Housing Association.
- In the Work Fund, for courses, certifications, licence and conversion fees, the Zakat is paid directly to the provider on the applicant's behalf; an invoice is required. For tools and equipment, Zakat will be distributed to the applicant; a receipt will be required from the applicant upon purchase.
- In the Education Fund, the grant is paid directly to the course provider or university; an invoice from the provider to make the payment is required.

As mentioned above (clause 4), a contribution from Zakat or Sadaqah is used towards the distribution service of receiving their donation, verifying applicants and distributing their Zakat to people in need.²

² This has been allowed by several fatwa councils. See, for example, Fatawa Darul Uloom Zakariyya v.3 pp.211-212 ZamZam Publishers. See also section Appendix One, which explain our use of a 'wakalah arrangement' to undertake this.

100% of Zakat is used for charitable activity. We do not use Zakat to raise funds. We do not use Zakat to cover core costs.

We make these commitments public:

<https://nzf.org.uk/about-nzf/policies/distribution-promise/>

6. What records are kept?

Meticulous and comprehensive records are kept of all Zakat income and Zakat grant expenditure. They are kept within the Customer Relationship Management system and the Finance accounting system. They are kept for 7 years from the data of the activity.

7. How do we ensure this policy is complied with?

We build quality assurance into our giving and distribution procedures. We audit a sample of applications every month, and identify and learn from major and minor audit findings. We maintain a cycle of continuous improvement and training.

An external Shariah advisor advises on our Zakat distribution policies and procedures

A Senior Grants Officer makes decisions on complex cases.

Applicants have the right to request a review of the decision taken in relation to their application. Any review is undertaken by a senior member of the team.

Our distribution policies and procedures are checked for compliance through ongoing internal quality control audits.

Our distribution policies and procedures are regularly checked for completeness and compliance during Shariah audits by recognised external Shariah advisors.

Our financial policies and procedures are checked for completeness and compliance as part of the annual financial audit by a recognised external Auditor. NZF has a robust HR process to ensure distribution team salaries are at the appropriate level, The HR process has external professional input, is reviewed by the Chief Executive and approved by Trustees.

8. And that's it, for now

We'll continue to review the effectiveness of this policy and make sure it's achieving its objectives.

Appendix 1: The Wakalah Model

The al-Qalam Shariah Panel as well as other scholars advised using the '*Wakalah*' (agency) model. This model is also used in Darul Ulooms and Islamic seminaries in India, Pakistan and Bangladesh. This framework ensures Zakat is paid and distributed in a way which is widely accepted as valid.

Under this *Wakalah* model, NZF is authorised by the eligible applicant to fund, on behalf of the eligible applicant, categories and avenues as outlined in the NZF policy in its capacity as agent of the eligible applicant.

The *Wakalah* model functions in the following manner:

Eligible applicants make NZF an agent (*wakil*) on their behalf to receive Zakat and spend it in fulfilling their needs and in avenues according to the policy of NZF. This is by means of a clause that applicants agree to.

The wording of this clause is as follows: "Should my application be successful then I consent to National Zakat Foundation receiving and disbursing Zakat funds on my behalf in a manner that the organisation sees fit and in line with the needs highlighted in my application."

The flow of funds is as follows:

1. The Zakat giver gives their Zakat to NZF.
2. NZF holds the Zakat as agent of the Zakat recipient.
3. When an applicant is successful in their application, they are either given a direct financial grant or they authorise NZF to pay a third party on their behalf. The third party may be a service provider, creditor, grants officer or other. They also authorise NZF to use the funds in line with the strategy and policy at NZF.
4. The third party receives the Zakat as agent of the recipient.
5. The third party then takes possession as a fee for services.