

Zakat Policy – Applicant Guide

MWB Zakat Impact Fund

1. Background and Purpose

The **Zakat Impact Fund** is operated under the Muslim Welfare Board (MWB) and is designed to ensure that zakat donations are used in a manner that is:

- Sharia-compliant
- Transparent and accountable
- Impactful and strategic
- Aligned with the charitable objects of the Muslim Welfare Board and the Grant-Making Policy

This policy explains:

- How the Fund interprets and applies the **eight zakat categories (asnaf)**
- The types of projects and organisations that may be eligible
- The **governance, oversight, and safeguards** applied to zakat funds
- What applicants need to demonstrate around zakat eligibility

It is written for **grant applicants**, not as a full scholarly treatise.

2. Shariah Governance and Differences of Opinion

The Fund and the Trustees recognise that there is a **range of scholarly views** on which causes are zakat-eligible, especially in areas such as civic engagement, research, and strategic community infrastructure.

To ensure compliance:

- All proposed causes are **screened and, where necessary and feasible, analysed by a recognised scholar**, currently **Shaykh Akram Nadwi**, who provides guidance on eligibility and appropriate categories.
- The Fund acknowledges that **some schools of thought may classify certain causes as Sadaqah rather than zakat**. Where this is the case, this will be **clearly communicated to donors**, and they can choose not to allocate their zakat to those causes.

Applicants are therefore encouraged to:

- Present a **clear, reasoned case** for zakat eligibility
- Indicate which category (or categories) their work falls under
- Be open to the scholar allocating their project to a specific category where appropriate

3. Objectives of the Zakat Impact Fund

The Fund aims to:

1. **Assist causes eligible for zakat** – including the poor, needy, those in debt, those furthering the cause of God, travellers in need, and other eligible categories.
2. **Ensure proper utilisation of zakat funds** – addressing both **immediate needs** and **long-term societal and structural needs**, in the UK and internationally.
3. **Maintain transparency and accountability** – so donors can see how their zakat is collected, allocated, and what impact it achieves.

In practice, this includes (but is not limited to):

- Direct poverty alleviation and hardship relief
- Civic engagement and community power
- Tackling Islamophobia and protecting Muslims' rights
- Supporting Muslims in the West physically, economically, culturally and spiritually
- Education, skills, financial wellbeing, and leadership
- Strategic, high-leverage charitable investments

4. Zakat Categories and Example Projects

The Qur'an (9:60) identifies **eight zakat categories**. The Fund recognises all eight and may consider applications under **one or multiple categories**, provided there is a clear rationale and Shariah oversight.

Below are practical explanations and examples to guide applicants.

4.1 The Poor (al-Fuqarā') and Needy (al-Masākīn)

Definition:

Individuals unable to meet basic needs or lacking financial stability.

Examples of work we may fund:

- Direct financial assistance to individuals and families in hardship
- Programmes supporting **orphans and widows** in need
- Hardship grants for refugees, low-income families, and those facing crisis
- Education and skills programmes that enable poor or needy individuals to become self-sufficient (scholarships, vocational training, upskilling)
- Healthcare costs for those unable to afford essential treatment or surgery

4.2 Those in Debt (al-Ghārimīn)

Definition:

Individuals in legitimate debt that they are unable to repay without hardship.

Examples:

- Debt relief for individuals unable to meet obligations (e.g. rent arrears, essential bills)
- Programmes providing **debt counselling**, repayment support, or halal alternatives to exploitative lending
- Support for victims of domestic abuse or coercive control who have been burdened with debt

4.3 In the Path of Allah (Fi Sabilillah)

The Fund follows a widely used contemporary interpretation that **Fi Sabilillah** can include initiatives that:

- Strengthen and protect the Muslim community
- Defend Muslims against Islamophobia and discrimination
- Enhance civic engagement, policy influence, and representation
- Build long-term economic, cultural, and spiritual strength

Examples of work we may fund under Fi Sabilillah:

- **Civic and political engagement** – voter education, policy literacy, community organising
- **Tackling Islamophobia** – legal support, strategic litigation, research, advocacy
- **Muslims in the West** – initiatives that strengthen and protect the community physically, economically, culturally, and spiritually
- **Independent media and representation** – Muslim journalists, media platforms, campaigns improving representation in culture and public life
- **Islamic knowledge** – teaching Muslims and non-Muslims about Islam in ways that serve public benefit and community resilience
- **Research & data** – research that furthers the broader zakat-related goals of the Fund and informs policy and community decision-making
- **Economic empowerment & financial education** – financial wellbeing, Islamic finance literacy, economic opportunity programmes for zakat-eligible individuals

4.4 Travellers in Need (Ibn al-Sabīl)

Definition:

Travellers who have become stranded or cut off from their resources.

Examples:

- Emergency support for students or workers stranded and unable to return home
- Short-term assistance for travellers who have lost funds, been robbed, or displaced

4.5 Zakat Administrators (‘Āmilīn ‘Alayhā)

Definition:

Those legitimately engaged in the collection, administration, and distribution of zakat.

In line with sector best practice, a **portion of zakat may be used to cover direct operational costs** of administering the Zakat Impact Fund, including payment and banking costs, legal costs, staff salaries, overheads, and logistical costs, provided that:

- These costs are **reasonable and directly related to zakat administration**, and
- They **do not exceed 12.5% of the total annual zakat collection**.

Note: currently the Fund does not take any fees for operational costs, other than automatic payment provider charges; this intention will be maintained and any changes in the future communicated to donors.

4.6 Those Whose Hearts Are to Be Reconciled (al-Mu'allafatu Qulūbuhum)

Definition:

Individuals or groups whose relationship to the Muslim community needs strengthening due to vulnerability, marginalisation, or emerging affiliation.

Examples of possible work:

- Support programmes for **new Muslims** facing isolation or hardship
- Bridge-building and reconciliation initiatives in communities where there is tension or hostility
- Targeted interventions where reconciliation serves a clear Shariah and public interest

Any use under this category may be screened by the Fund's scholar due to its wider interpretation.

4.7 Freeing Captives (ar-Riqāb)

Definition:

Historically, freeing enslaved people; contemporary analogues can include unjust imprisonment or exploitation.

Examples:

- Strategic legal support for individuals facing unjust or discriminatory detention
- Support for survivors of trafficking, forced labour, or other forms of modern bondage (where zakat eligibility is established)

4.8 Other Zakat-Eligible Purposes

The policy also provides a catch-all category: **“any other cause deemed eligible under Islamic law as per the guidelines of the Zakat Impact Fund”**.

This allows the Fund to consider innovative or emerging needs where there is:

- Clear benefit to Muslims
- Strong scholarly reasoning
- Alignment with the Fund's objectives

5. Allocation, Administration, and Timing

In line with this Zakat policy and wider sector practice:

Admin Cap:

Up to **12.5%** of annual zakat receipts may be used for direct operational costs (banking, payment processing, legal, staff costs, overheads related to zakat management).

Segregation of Funds:

Zakat funds are held and accounted for separately from non-zakat funds.

Timing:

The Fund aims to **allocate and disburse zakat within a reasonable period (typically within one lunar year of receipt)**, considering project-based grant cycles and strategic timing.

Emergencies:

In emergencies or unforeseen situations, the Fund may make exceptional distributions, provided they remain Shariah-compliant.

6. Governance, Oversight and Transparency

Consistent with the Zakat policy and best practice:

Audits & Reporting:

The Fund's finances are audited annually by an independent external auditor.

Shariah Compliance:

A qualified scholar reviews causes and policies to ensure ongoing compliance.

Online Tracking & Donor Reporting:

Donors will receive periodic updates on funds raised, causes supported, and outcomes achieved.

Clear Documentation:

All zakat receipts, allocations, and disbursements are documented; donors can receive confirmation of how their zakat was used.

Ethical Standards:

Conflicts of interest are actively managed;

Misuse of funds is investigated and may be reported to relevant authorities;

Beneficiary privacy and data protection obligations are respected.

7. What Applicants Need to Show

When applying to the Zakat Impact Fund, organisations should:

1. **Identify the zakat category (or categories)** relevant to the project.
2. **Explain the eligibility rationale**, including how beneficiaries or activities qualify.
3. **Show how zakat funds will be ring-fenced, monitored, and reported** (e.g. separate cost codes, restricted funds).
4. **Provide a clear budget**, indicating which line items will be covered by zakat and which by Sadaqah or other income.
5. **Demonstrate governance and compliance** (policies, leadership, financial controls).

If You Are Unsure

If you are unsure which category your work fits into, or how to frame your proposal from a zakat perspective, you are encouraged to **contact the Fund for guidance before applying**.