

**ACTION
FOR
HUMANITY**

ZAKAT POLICY

MARCH 2025

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| Approving body | Board of Trustees |
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1. Introduction

At Action For Humanity (AFH), our commitment to aiding those in need and making a positive impact on the lives of disadvantaged communities has always been at the heart of our mission. We are thrilled to share a transformative development that will significantly bolster our efforts in providing humanitarian assistance.

As a charity which is proud to facilitate religious giving, we constantly strive to further enhance our impact, we recognise the profound importance of Zakat, one of the Five Pillars of Islam, in empowering those less fortunate. This sacred act of giving not only uplifts individuals but also strengthens communities, fostering hope and resilience. We are humbled and honoured to announce that our organisation has received an extraordinary boost in Zakat contributions.

This remarkable support will enable us to expand our reach, deepen our impact, and bring about meaningful change in the lives of countless individuals. With this newfound strength, we are more determined than ever to fulfil our mission and serve those in need with even greater vigour and compassion.

We are delighted to announce that Islamic Relief has generously allowed Action For Humanity to adopt their well-crafted Zakat policy. Islamic Relief's commitment to excellence, demonstrated through their diligent research and consultations with esteemed Islamic Scholars, such as Sheikh Abdullah Judai, Mufti Barakatullah, and Sheikh Akram Nadawai, has been truly commendable.

By embracing this policy, AFH aim to save valuable resources and ensure that the maximum amount of funds go directly to those who are most deserving and in need as per Zakat's eligibility.

While the core aspects of Zakat distribution will remain unchanged, we recognise the uniqueness of AFH's operations and the importance of adapting the internal processes to align with our own organisational values and principles. Therefore, before implementation, we will thoroughly review the policy, carefully aligning it with our existing framework, and ensuring it complements our overall good governance approach.

As we adopt the Zakat policy, we share the two fundamental elements that constitute this policy:

- A. The first element of the policy focuses on the core principles and guidelines governing Zakat distribution. This part, which we refer to as the "The Zakat Distribution Policy," outlines in detail how the funds raised, as Zakat, will be allocated and utilised to make a tangible difference in the lives of those less fortunate. We understand the importance of providing you, our cherished donors, with the utmost assurance and clarity regarding how your Zakat contributions are utilised to bring about positive change. To achieve this, The Zakat Distribution Policy will be made accessible to the public on AFH's website, ensuring transparency and openness about our Zakat initiatives.
- B. The second element pertains to the internal processes and systems, established by AFH, to ensure the seamless and responsible execution of the Zakat distribution. Referred to as the "Internal Zakat Implementation Guidelines," this document outlines the specific steps, procedures, protocols and controls that will be in place to align the policy with our unique organisational structure, operations, and identity. As this element is an internal document, it will remain dynamic and subject to revisions as we learn from our experiences and receive valuable feedback from our dedicated staff, both at our international office and in the field.

We would like to assure all our supporters and donors that every step of the process will be meticulously examined to ensure transparency, accountability, and effectiveness. The policy will continuously go through rigorous internal scrutiny, involving our team of experts, to ensure its relevance to our specific initiatives. Subsequently, this final version has received the full approval from our esteemed Board of Trustees, whose guidance and oversight have been instrumental in shaping our organisational journey.

2. Definitions

AFH Affiliate/Partner: This refers to Action For Humanity offices such as Action For Humanity Canada who are independent organisations but share the common vision, mission and values with the rest of AFH Family. Affiliate offices have their own independent boards and the aim that they become major contributors for AFH's global operations.

AFH International: This refers to Action For Humanity's United Kingdom office which coordinates the international work of Action For Humanity as well as overlooking the operations in UK in terms of community fundraising, external relationships, etc...

AFH International SLT: Refers to the Action For Humanity Senior Leadership Team from across the globe, both representing country offices and affiliate offices. This includes Directors and at times head of departments and other focal points for key functions of AFH International.

Charity/Charities SORP: A Statement of Recommended Practice which sets out how charities should prepare their annual accounts and report on their finances. The SORP is an interpretation of the underlying financial reporting standards and generally accepted accounting practice.

Country offices: These are offices set up for the main purpose of providing humanitarian and development projects across the globe.

Direct Cost: Direct project delivery costs that include programme costs and country office costs.

Direct Support Costs: Link directly to the project but are shared between different projects/services.

Indirect Costs: These include IT, HR, or finance costs that cannot directly be linked to the project

Poverty: According to the United Nations, poverty is the inability to have opportunities, and a violation of human dignity. It means the lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, being unable to access education or healthcare, not having assets from which to generate a dignified living and not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households, and communities. It means susceptibility to violence, and often implies living in marginal or fragile environments, without access to clean water or sanitation (UN Statement, June 1998 – signed by the heads of all UN agencies).

Rightholders: Rightholders are individuals or social groups entitled to certain rights from duty-bearers, which can be state or non-state actors like Action For Humanity. A directly reached rightholder has interacted with AFH or its Affiliates, such as receiving project inputs, participating in activities, or accessing services.

Zakat: One of the five pillars of the Islamic faith requiring Muslims who meet the necessary criteria to give a part of their wealth each year to a charitable cause.

3. Context

The Messenger of Allah, May Allah bless and grant him peace, said 'Islam is based on five things: Testifying that there is no god except Allah and that Muhammad is the Messenger of Allah (shahada); establishing the prayer (salat); paying the Zakat; the Hajj; and the fast (sawm) of Ramadan'

Narrated by Imams Bukhari and Muslim.

Alms are meant only for the poor, the needy, those who administer them, those whose hearts need winning over, to free slaves and help those in debt, for God's cause, and for travellers in need. This is ordained by God; God is all knowing and wise (Al Qur'an, Surah Tawbah, Verse 60)

Zakat is a mandatory duty for Muslims possessing wealth over a threshold, emphasised as an act of worship alongside prayer in the Qur'an. It calls for wealth redistribution to benefit the poorest and vulnerable. Zakat's benefits are both spiritual and worldly, purifying hearts and promoting social security networks.

At AFH we believe that Zakat should be central to our work, fulfilling this duty responsibly to protect lives, strengthen communities, and fight poverty worldwide. This policy ensures AFH's Zakat activities align with Islamic teachings, fulfilling our responsibility faithfully.

4. Policy Statement

AFH acknowledges the utmost significance of upholding transparent and accountable governance of Zakat funds, rooted in the overarching principles laid out in the Qur'an and Sunnah from a theological perspective. Furthermore, we recognise the regulatory aspects of the Charity SORP and Trust law in the UK.

The implementation of this policy ensures a consistent and unified approach towards handling Zakat funds, while also facilitating the dissemination of detailed and relevant implementation guidelines at all levels. This comprehensive policy serves several essential purposes:

- ✓ Providing guidance to AFH on determining eligible projects to receive Zakat contributions.
- ✓ Encouraging active participation from Country Offices in the decision-making process concerning the allocation of Zakat funds.
- ✓ Seeking scholarly clarification on matters related to our Zakat activities, such as support costs and the distribution of Zakat to different types of rightsholders (this has been adopted from *AFH's scholarly-approved Zakat Distribution Policy*).
- ✓ Developing robust processes to ensure transparent collection, financial management, allocation, distribution, monitoring, and the impact assessment of Zakat funds, all in alignment with Islamic principles.
- ✓ Enhancing both internal and external transparency concerning the collection, financial management, allocation, disbursement, monitoring, and impact of Zakat funds within AFH.

5. Scope

This policy is binding on AFH International, including Country Offices. It will have implications for the following areas of our work: Governance, AFH Affiliates/Partners, Programmes & Country offices, MEAL, and Finance. The International Zakat implementation guidelines outline the key responsibilities of each these functions and countries.

6. Policy Goals and Objectives

The overall aim of the Zakat Distribution Policy is to ensure that AFH's global Zakat activities are in full accordance with the teachings of Islam, thus enabling AFH to fulfil its obligation to in the most effective way possible.

The specific objectives are:

- a) To ensure appropriate governance of the trust from theological and charity trust law of Zakat funds.
- b) To provide clear guidance to AFH trustees, management, and staff on how Zakat should be fundraised, accounted for, allocated, distributed, monitored, and the impact of social-economical value Zakat has had to enhance communities/societies.
- c) To provide transparency and accountability to stakeholders on how they should expect AFH to collect, allocate, and distribute Zakat.
- d) To improve internal and external communications on AFH's distribution of Zakat and its impact.
- e) To ensure that AFH's Zakat activities are conducted in the most transparent and Islamically-compliant manner possible.
- f) To enable AFH to utilise Zakat within our programmes in a manner that ensures the maximum impact and efficiency in reducing suffering and poverty.

7. Distribution of Zakat

At AFH, we have always been committed to fulfilling our mission of aiding those in need and making a positive impact on the lives of disadvantaged communities. As we strive to enhance our efforts in providing humanitarian assistance, we recognise the vital role that Zakat, one of the Five Pillars of Islam, plays in empowering those less fortunate. We are humbled to share some remarkable news that will significantly strengthen our ability to serve those in need.

Who is eligible to receive Zakat?

The Qur'an clearly outlines the eight categories of people who are eligible to receive Zakat:

Alms are meant only for the poor, the needy, those who administer them, those whose hearts need winning over, to free slaves and help those in debt, for God's cause, and for travellers in need. This is ordained by God; God is all knowing and wise (Al Qur'an, Surah Tawbah, Verse 60)

These boundaries are set by Allah (SWT), and AFH believes that we, as Zakat administrators, will be held accountable by Allah (SWT) for how we distribute Zakat funds, and the extent to which we adhere to the conditions and parameters set by Allah (SWT).

As such, AFH must only distribute Zakat to rightsholders (directly or through projects) which are relevant to the categories outlined above. When allocating Zakat to projects, or applying for Zakat funds to utilise in projects, AFH must provide a justification as to how this project matches the criteria of Zakat.

While the categories themselves are clearly set, their definition and interpretation – particularly in the contemporary context – require some clarification.

7.1 Masakin (Poor & Needy)

- 7.1.1 Poverty is being in a state where one is unable to meet their essential needs. This can be assessed through local consultations and needs assessments.
- 7.1.2 AFH recognises that in mentioning both Fuqara (poor) and Masakin (needy or extremely poor) Allah (SWT) is ensuring that we address the needs of both the poor and the ultra-poor. As such, it is critical that the needs of the ultra-poor are considered and prioritised where possible when identifying which projects to fund through Zakat.
- 7.1.3 AFH will use Zakat to provide adequate assistance to meet the essential needs of rightsholders.
- 7.1.4 AFH believes that Zakat can and should be used for emergency relief activities, such as the provision of food, shelter, clothing, medication, and healthcare, water and sanitation, and other items or essential activities which can help alleviate the poverty or suffering of affected individuals.
- 7.1.5 Zakat funds cannot be used in cases where additional conditions are added for its receipt (e.g. cash for work projects).
- 7.1.6 Wherever possible, Zakat should also be utilised in a way that provides long-term solutions to the deprivations or needs of disadvantaged people. This could be achieved through developing sustainable livelihoods projects, through education or health provision, or supporting other sustainable development activities for the poor and needy.
- 7.1.7 AFH will focus our Zakat implementation in areas where there is a clear Muslim majority among the population. However, as a humanitarian organisation, AFH will do this in a way that does not discriminate between people on the grounds of race, religion, sect, gender or ability and is bound by the internationally recognised humanitarian principles of impartiality, neutrality, independence and humanity. To ensure non-Muslims in such situations receive the same level of assistance, additional funding should firstly be sought from other sources of funds. If other funds are not available, then Zakat may be used.

Action For Humanity is a legitimate administrator of Zakat. AFH in effect is a duty-bearer, with a responsibility to respect, protect and fulfil the rights of rightsholders on whose behalf Zakat funds have been collected.

- 7.2.1 As such, AFH is eligible to take a reasonable portion of 12.5% of Zakat funds to cover the costs of delivery Zakat eligible projects. Costs are incurred firstly in raising awareness and collection activities for Zakat funds, and then administering those funds to ensure they reach the rightsholders entitled to these funds.
- 7.2.2 Costs incurred by AFH are defined as direct, direct support costs or indirect costs. AFH must map and understand what costs are related to Zakat projects and those which are eligible for being charged against the allowed administration charge from Zakat funds.
- ✓ 'Direct costs' are frontline delivery costs that include programme costs and country office costs.
 - ✓ 'Direct support costs' link directly to the project but are shared between different projects/ services. Therefore, a need to arrive at the true cost of delivery, these costs should be charged to Zakat when needed.
 - ✓ 'Indirect costs' include IT, HR, or finance costs that cannot directly be linked to the project.
 - ✓ Costs associated with fundraising, marketing, event sponsorship, influencers, generic training and governance costs are not eligible to be charged to 12.5% administration category
- 7.2.3 Any funds taken by AFH offices from Zakat to cover administrative (direct support or indirect costs) must not exceed the agreed allocation of 12.5% in total.
- 7.2.4 To ensure transparency and accountability the programme and finance functions of AFH should report on the usage of Zakat funds. AFH must demonstrate consistency, accountability and transparency in our internal environment and reporting for Zakat purposes.

As a humanitarian agency we do not engage in any proselytisation activity. As such, AFH does not undertake any Zakat activities under the category of Mu'allafati Quloobuhum. (reconciling hearts).

Where AFH finds people suffering from a modern form of slavery – such as bonded labour, forced labour, or human trafficking – Zakat funds may be utilised to emancipate people from such forms of slavery (provided that the funds do not profit "slave-owners" who have violated national or international law).

- 7.5.1 Zakat may be used to assist those in debt under the following conditions:
- The debtor must need financial aid (those with enough wealth to cover their debt cannot be assisted). However, they do not necessarily need to be destitute, but simply not have enough income or wealth to repay their debt.
 - The debt should be due immediately. Those whose debts can be deferred may still be eligible to receive Zakat but could be considered as less of a priority than those who need immediate assistance.
- 7.5.2 Zakat funds may be used to pay unsustainable/unrecoverable debts. For example, in microfinance programmes, AFH is permitted to create an accounting write off against the individual's loan records using the Zakat funds if the individual has incurred such a debt.
- 7.5.3 AFH will develop and use processes and criteria to verify that only those in genuine debt are supported.
- 7.6.1 AFH takes the opinion that it is permissible to fund communal welfare assets and programmes - such as clean water sources, health clinics, critical medical equipment, temporary food producing outlets (e.g. bakeries), water containers, schools, training centres, seed banks, communal farmlands, water dams, - to reduce poverty and hardship in disadvantaged communities.

Projects involving communal welfare will promote the principle of community empowerment through ownership. AFH will endeavour to adhere to the following conditions when funding communal welfare assets with Zakat:

- The clear majority of the rightsholders can be classified as being eligible to receive Zakat (i.e. poor, needy, traveller, etc.).
- An assessment of the rightsholder community has been conducted, demonstrating the need for the asset in question in alleviating poverty and suffering.
- Consent should be sought from the target community to develop or implement the proposed asset.
- The project should ensure that rightsholders can act as effective and responsible managers of the asset.
- Once completed, ownership and management of the asset is transferred to the local community (e.g. to a local community cooperative comprising of an inclusive group of people), with an agreement to protect the asset's intended usage for communities and individuals in need. It should explicitly state that no person who is in need will be refused.
- The communal asset should always remain a not-for-profit property and for general welfare.
- The asset shall not be owned by any one person or a single group of people.

7.6.2 AFH will use Zakat to fund essential service providers – such as teachers, doctors, health workers, disaster recovery personnel, trainers, agriculture specialists who provide vital services directly to rightsholders, specifically addressing their needs or deprivations with the following conditions:

- The service provider is not an employee who provides general operational support and management, but someone who works on direct project delivery.
- An assessment and consultation of the rightsholder community has been conducted, demonstrating the need for the service in question (for protecting lives and alleviating poverty and deprivation).
- AFH only pays essential service providers for a limited time (no later than the project-end).

7.6.3 Zakat funds can be used for education and training purposes to directly teach people about issues and skills that will allow them to come out of poverty. For example, learning how to start a home-based enterprise, farming methods, tailoring, animal rearing, health issues, hygiene and sanitation awareness, and other livelihood options.

7.6.4 Any costs which are specific and limited to the distribution or implementation of Zakat goods/projects (e.g. petrol for delivery of goods, short-term hiring of transportation/ storage space, etc.) and are not part of AFH's long-term assets or costs may be covered by Zakat.

7.6.5 Zakat funds can be utilised in conflict transformation projects that seek practical solutions that bring peace to communities, leading to a significant reduction in levels of hardship faced by people living in those areas.

7.6.6 However, under this category AFH will not fund communications or advocacy work due to the difficulties in establishing and measuring the direct benefit of these initiatives to those in actual need.

7.7.1 AFH defines 'travellers' as people who are at least 48 miles away from their home and unable to reach their destination (including refugees and internally displaced persons) and who have been cut off from their wealth, assets, or source of income.

7.7.2 This would apply to refugees who have not re-settled and are not in the category of Fuqara and Maskin (poor and needy).

7.7.3 AFH may use Zakat funds to provide sufficient food, clothing, shelter, transportation, education, healthcare, and any other needs.

8. Matters Relating to the Allocation & Distribution of Zakat

Each AFH office that collects Zakat must conduct research to identify the level of poverty in their respective country. Where poverty or need is identified locally, the office must develop a strategy to utilise a portion of Zakat funds domestically. This amount will need to be determined by each office based on their environment.

- AFH will not allocate funds to each of the categories of Zakat in an equal measure, as some categories do not directly apply to its mission.
- AFH may allocate as much Zakat to each category as is relative to the need of rightsholders and our capacity in each geographical location.
- AFH will aim to allocate Zakat funding within one year of receiving it and use it as quickly as possible.
- AFH will not use Zakat funds to use for any type of endowment or similar investment projects.
- AFH takes the view that Zakat cannot be given for loans or any other business enterprise.
- Zakat funds can be used on projects that are both short term (e.g. immediate humanitarian response) and long-term (e.g. multi-year livelihood programmes).

9. Free Reserves

The term “reserves” is used to describe that part of a charity’s funds that is freely available for its operating purpose not subject to commitments, planned expenditure and spending limits. Reserves do not include endowment funds, restricted funds and designated funds.

Zakat funds held have a direct impact on calculating free reserves.

The Zakat funds (*less than 12.5% of total Zakat funds*) should be excluded in calculating AFH’s free reserve position.

10. Policy Review

The Zakat Policy will be reviewed as and when the situation requires, and the Trustees will ensure that any future revisions remain compliant with Sharia and would require the approval of scholars.

The service provider is not an employee who provides general operational support and management, but someone who works on direct project delivery.

- An assessment and consultation of the rightsholder community has been conducted, demonstrating the need for the service in question (for protecting lives and alleviating poverty and deprivation).
- AFH only pays essential service providers for a limited time (no later than the project-end).

7.6.3 Zakat funds can be used for education and training purposes to directly teach people about issues and skills that will allow them to come out of poverty. For example, learning how to start a home-based enterprise, farming methods, tailoring, animal rearing, health issues, hygiene and sanitation awareness, and other livelihood options.

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