**How much Zakat is paid on business partnerships and investments?**

Business partnerships and investments are due 2.5% when paying Zakat on them. Mutual Funds, which invest in a portfolio of stocks (shares) are business partnerships and are treated as such when calculating profits and zakat.Â To make them analogous to agricultural projects is incorrect for several reasons most of which cannot be mentioned in a single post. Those interested can look for module five of my Zakat course entitled â€œAdvance Topics in Zakat Law.â€

**Is my retirement account (such as 401k or Traditional IRA) liable for Zakat?**

Modern scholars differed as to when to pay zakat on retirement accounts such as 401k, Traditional IRA’S,Â  and other similar investment vehicles wherein a person does not actively have control over and cannot access without penalty the funds therein until a threshold or time period is met.

Perhaps theÂ more correct of these 2 opinions is that Zakat is not due on your retirement account (401k, IRA, or similar) until it is time to cash out without penalty.

* If the conditions of that account state that after a person reaches a certain age (say 55 or older) then he or she may withdraw without penalty then Zakat is paid on that amount when you reach that age. Each subsequent year, if Nisaab still exists in the account, you would pay on that account.
* If you cannot access the funds in that account, or you are penalized for early withdrawal, then you are not liable to pay Zakat on that account.
  + Zakat is only due on unhindered, fully accessible wealth which is actively managed by the investor.
  + Any wealth which is lost, inaccessible, held in an illiquid state, or cannot be accessed freely without penalty is not liable for Zakat.
* If the wealth in the retirement fund is designated for the employee then he must pay 2.5 percent of that amount **only when he cashes out without penalty** at the time those funds are made available to him.
* If he or she **chooses to cash out early and pay the penalty then they must still pay Zakat on the amount withdrawn** immediately at the time of availability regardless of the matching funds contributed by his employer or not.
* If he is not allowed to cash out, but instead is forced to take a loan from the 401k fund and pay it back with interest, then he or she will not pay Zakat on this amount until it remains in possession for one year after receiving it from the 401k fund.
* You pay 2.5% on the amount available to you at the time the money is made available to you without penalty. You do not compound 2.5% for the entire tenure of the investment; **you only pay 2.5% for one year on the amount made available at cashout without penalty.**

**What about Roth IRAs? Do the same rules apply? (Added 7/28/2013)**

Roth IRAs function differently than 401ks and traditional IRAs. Contributions to a Roth are taxed, and thus the capital therein can be withdrawn tax-free and penalty free. Earnings however are subject to two conditions: funds must have been in the account for five years, and you must be 59 and half years old to withdraw.

That said, because contributions to the Roth fund are liquid and penalty free, you must pay Zakat on the total amount of contributions. Add your total Roth amount minus earnings lesser than 5 years as a line item to your Zakat calculation and pay 2.5% on that amount. Easier still would be to add the entire value of the Roth as a line item, and consider the extra paid on earnings as a pre-payment of Zakat on those funds.

Which ever you choose, remember that regulations and tax implications for IRA accounts are detailed. My advice is that you talk to a an advisor versed in tax law as well as Islamic financial ethics before making a decision to make a withdrawal.Â If you need confidential advice on how to calculate and pay your Zakat, please contact me through this site.