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B.Com Honours | Semester V | Calicut University

# FUNDAMENTALS OF ISLAMIC COMMERCIAL LAW

Course Code: COM5EJ312 • Module 3 Notes

# Module III: Trading in Islamic Commercial Law & Zakat

Covers Islamic legal rules of trade (Tijarah), valid sale contract (Bai) conditions, conditional sales, trade ethics, price manipulation prohibitions, and Zakat calculation principles.

## Unit 12: Introduction to Trading in Islam

Permissibility of Trade: Explicitly sanctioned in Islamic jurisprudence ("Allah has permitted trade and forbidden interest"). Core Philosophy: Mutual benefit, fair value exchange, & absence of economic coercion.

## Unit 13: Requirements of a Valid Sale Contract (Bai)

Essential Conditions of Bai: Seller must own the subject matter, seller must have physical or constructive possession (*Qabd*), price & delivery terms must be transparently fixed, & asset must be valuable (*Mal Mutaqawwim*).

## Unit 14: Conditional Sales & Prohibition of Two Bargains in One Sale

**Conditional Sales:** Conditions that contradict contract essence are invalid.
**Bai al-Inah (Buy-back sale):** Artificial sale used to circumvent interest prohibition; strictly forbidden by majority jurists.

## Unit 15: Ethics of Sale Contract

Ethical Directives: Complete disclosure of asset defects (*Khiyar al-Aib*), fair weights & measures, prohibition of *Najash* (bidding up prices deceptively without intent to buy), & prohibition of *Ihtikar* (hoarding food/essential commodities to artificially inflate prices).

## Unit 16: Zakat Principles, Nisab Thresholds, & Calculation

Zakat: Mandatory 3rd Pillar of Islam; institutional social security tax levied on net wealth held for one full lunar year (*Hawl*).
**Nisab Thresholds:** Gold = 87.48 grams (20 Dinar), Silver = 612.36 grams (200 Dirhams), Business Inventory/Cash = Equivalent value of Silver Nisab. Standard Rate = 2.5% on qualifying net assets.

**Practical Case Framework 1 (Valid Sale Contract Requirements Matrix):** Detail sale contract conditions, Shariah justification, and violation consequences.

**Valid Sale Contract (Bai) Framework Table:**

| Sale Contract Condition | Shariah Jurisprudential Justification | Effect of Non-Compliance |
|---|---|---|
| Ownership & Possession (Qabd) | Seller cannot sell what he does not own | Renders contract void (Batil) |
| Specified Counter-Value (Price) | Eliminates uncertainty (Gharar) in payment | Renders contract defective (Fasid) |
| Asset Defect Disclosure | Protects buyer option of defect (Khiyar) | Grants buyer legal right to rescind sale |

**Practical Case Framework 2 (Zakat Nisab Threshold & Calculation Matrix):** Calculate Zakat liability for a business trader with cash, inventory, and payables.

**Zakat Net Wealth Asset Calculation Table:**

| Asset / Liability Category | Gross Amount (₹) | Zakat Qualifying Status |
|---|---|---|
| Cash in Bank & Hand | ₹5,000,000 | 100% Subject to Zakat |
| Commercial Merchandise Inventory | ₹8,000,000 | Valued at Market Price; Subject to Zakat |
| Less: Short-Term Business Debts Payable | (₹3,000,000) | Deducted from Gross Assets |
| **Net Zakatable Base & Tax Due (2.5%)** | **₹10,000,000** | **Zakat Liability = ₹250,000** |