Cryptocurrency, Shariah Compliance & Zakat

Strengthened scholar-view summary, zakat framework, and practical halal trading controls
Prepared July 2026 - links verified during preparation

Important note: *This document is an educational Shariah-finance summary, not a personal fatwa, tax opinion, investment recommendation, or legal advice. Crypto rulings remain an area of scholarly difference. For binding action, consult a qualified Shariah scholar and local tax/legal adviser.*

Executive Position

A stronger and safer position is not to claim that all crypto is halal. The defensible position is conditional permissibility: a digital asset may be treated as maal (wealth) and may be permissible when it has recognized utility, lawful purpose, genuine ownership, transparent settlement, no riba-based structure, no gambling-like speculation, and no deception or fraud. Zakat should not be ignored: where the asset is zakatable, it is generally valued on the owner's Zakat anniversary and charged at 2.5% once the total zakatable wealth reaches nisab.

1. Scholar Views on Permissibility

Mufti Faraz Adam / Amanah Advisors

Amanah Advisors maintains a crypto-assets fatawa section authored by Mufti Faraz Adam, including guidance that differentiates between genuine crypto-assets and high-risk structures. Their public page also flags meme tokens as risky because they often lack bona fide utility and carry Shariah non-compliance concerns. See Amanah Advisors crypto-assets.

- Strengthened point: permissibility should be tied to recognised maal, actual use, lawful benefit, and custom/acceptance within the relevant ecosystem, not merely price appreciation.
- Risk control: tokens whose primary appeal is hype, celebrity marketing, artificial burns, referral rewards, or "number-go-up" culture should be treated as doubtful unless a qualified review establishes lawful utility.

Shaykh Joe Bradford

Shaykh Joe Bradford treats cryptocurrency as zakatable where it functions as currency or a digital asset. His 2026 Zakat article states that crypto holdings are subject to 2.5% of full market value on the Zakat date after one lunar year. His earlier coin-selection criteria include store of value, medium of exchange, transparency of recourse, non-Ponzi tokenomics, and a permissible real-world use case. See Zakat on Cryptocurrency and Shariah-compliant coin criteria.

- Strengthened point: Shariah screening should include both the token's purpose and the way returns are generated. A lawful technology can still be used through an unlawful contract.

Mufti Abdul Qadir Barakatullah and other scholars cited by Musaffa

Musaffa Academy summarizes multiple scholar opinions, including the view that cryptocurrency can be considered a modern tool in Islamic finance where it satisfies the relevant Shariah conditions. This is useful as a comparative source, but it should be treated as a secondary summary rather than a formal fatwa for any specific token. See Musaffa Academy.

Dr. Ziyaad Mahomed / HSBC Amanah Malaysia view as summarized by IFG

Islamic Finance Guru's scholar comparison notes Dr. Ziyaad Mahomed's argument that Shariah does not require currency to have intrinsic value like gold or silver; social acceptance and transactional use can establish value. IFG also emphasizes that the subject remains disputed and that older fatawa may need reassessment as the industry develops. See IFG scholar comparison.

Balanced scholarly caution

A responsible document should acknowledge disagreement. Darul Fiqh outlines three major interpretations: Bitcoin as neither maal nor currency, Bitcoin as maal but not currency, and Bitcoin as currency. Darul Fiqh's analysis leans toward recognizing existence/value while stressing conditions and risk. See Darul Fiqh analysis.

2. Practical Shariah Screening Framework

- **Lawful underlying purpose:** the token should support a halal use case, service, protocol, asset, settlement function, or governance role.
- **Real ownership and possession:** the buyer should acquire actual beneficial ownership, preferably with withdrawal rights to a non-custodial or clearly governed custodial wallet.
- **No riba:** avoid interest-based lending, borrowing, margin funding, guaranteed yield, or funding rates that are economically equivalent to interest.
- **No maysir/qimar:** avoid gambling-like bets, zero-sum wagering, pump-and-dump behaviour, blind leverage, and trades based on pure chance rather than analysis.
- **No gharar fahish:** avoid excessive uncertainty, hidden tokenomics, unclear recourse, unaudited contracts, anonymous control, unclear supply mechanics, or manipulated liquidity.
- **No haram activity:** tokens directly tied to alcohol, gambling, adult content, unlawful debt, fraud, sanctions evasion, money laundering, or prohibited goods/services should be avoided.
- **Disclosure and auditability:** whitepaper, token contract, supply schedule, custody structure, treasury controls, and risk disclosures should be visible and understandable.
- **Regulatory hygiene:** do not use crypto to conceal wealth, evade tax, bypass AML controls, or fabricate source of funds. Shariah permissibility does not excuse illegality.

3. Zakat on Cryptocurrency

Islamic Relief UK states that crypto becomes zakatable when it is part of zakatable wealth and the owner's total wealth meets nisab; crypto bought to resell/trade is zakatable on full market value, and coin-based currencies such as Bitcoin and Ethereum are generally zakatable because they function similarly to cash within their ecosystems. See Islamic Relief UK.

- **Rate:** 2.5% of zakatable crypto value.
- **Nisab:** apply once total zakatable wealth reaches nisab. Many calculators use the gold nisab of 85g gold or silver nisab of 595g silver; follow your scholar or local zakat authority.
- **Hawl:** one lunar year should pass over nisab-level wealth according to the method you follow.
- **Valuation date:** use the market value on your Zakat anniversary in your local currency.
- **Gross value:** for normal cryptocurrency holdings, calculate on the full market value, not only profit.
- **Inaccessible assets:** if coins are permanently inaccessible, stolen without realistic recovery, or private keys are irretrievably lost, seek scholar review; many frameworks exclude wealth that is no longer owned or accessible.
- **Payment method:** cash/fiat is usually preferable because recipients can use it easily. Direct crypto payment is only safer where a trusted zakat institution accepts, converts, and distributes it properly.

Token Classification for Zakat

Token Type	Use / Intention	Zakat Treatment
Payment / exchange coins	Holding, saving, payment, or trading	Generally zakatable on full market value
Stablecoins	Cash-equivalent holding	Generally zakatable like cash, subject to ownership and nisab
Utility tokens	Bought to access a service or product, not for resale	Often non-zakatable while used as a necessary/utility asset; confirm by token facts
Utility / governance tokens	Bought for resale or profit	Zakatable on current market value
Security / dividend tokens	Investment or income claim	Depends on underlying assets and income; dividends/proceeds are zakatable
Asset-backed tokens	Claim on gold, commodity, real estate, or other asset	Follow the underlying asset treatment; gold/silver tokens generally zakatable

Token Type	Use / Intention	Zakat Treatment
LP tokens / DeFi positions	Liquidity provision, fees, rewards, or protocol claim	Requires case-by-case review: underlying assets, fees, impermanent loss, reward source, and contract permissibility
NFTs	Art, collectible, ticket, title, inventory, or investment	Follow the underlying asset and intention: personal-use assets may be exempt; trade inventory is zakatable

ADL Advisory's digital asset zakat model similarly differentiates between tokens used for resale/profit and tokens used for necessary utility, and notes that governance and utility tokens used for resale are zakatable while use-based holdings may be non-zakatable. See ADL Advisory.

4. Halal Trading and Investment Controls

- **Spot only as the default:** buy and sell actual tokens with immediate or clearly settled ownership. Avoid synthetic exposure unless reviewed by qualified Shariah advisers.
- **No futures, options, perpetuals, CFDs, or binary products:** these typically involve leverage, settlement uncertainty, interest-like funding, or zero-sum wagering.
- **No margin or interest-bearing borrowing:** do not borrow to trade crypto where interest, funding rate, liquidation mechanics, or collateralized debt structures create riba/gharar risk.
- **No pump-and-dump activity:** coordinated hype, false scarcity, paid shilling, wash trading, insider allocations, and exit liquidity schemes are impermissible and reputationally dangerous.
- **No guaranteed returns:** fixed or guaranteed yield from volatile crypto activity is a red flag unless backed by a clearly lawful, asset-based, independently reviewed structure.
- **Staking review:** staking may be permissible in some proof-of-stake contexts if rewards are protocol-based validation rewards, but it becomes problematic if reward mechanics resemble interest, lending, lottery, or Ponzi transfer.
- **Liquidity pools:** review underlying token permissibility, fee source, pool purpose, smart-contract risk, impermanent loss, and whether rewards are generated from halal trading activity.
- **Documentation:** keep wallet addresses, transaction hashes, cost basis, exchange statements, zakat valuation screenshots, and source-of-funds records.

5. Stronger Compliance Checklist Before Buying a Token

Question	Pass Standard
Purpose	Does the token solve a lawful real use case beyond speculation?
Ownership	Can you withdraw or clearly prove beneficial ownership?
Tokenomics	Are supply, vesting, burns, treasury, taxes, and admin controls transparent?
Control risk	Is there a proxy, mint power, blacklist, pause function, or owner privilege? If yes, is it disclosed and governed?
Liquidity	Is liquidity real, sufficient, and not wash-traded or controlled by insiders?
Revenue source	Are returns produced by lawful services/fees rather than interest, gambling, or referral inflows?
Shariah screen	Does it avoid haram sectors and unlawful financial contracts?
Legal/AML	Can source of funds, tax reporting, and transaction trail be defended?
Zakat	Have you classified the token and set a valuation date for zakat?

6. Example Zakat Calculation Template

Use this template on your Zakat anniversary. Replace examples with actual spot prices and local currency rates.

Step	Input	Example
1	Token balance	2.50 ETH
2	Spot price on zakat date	USD 3,000 per ETH
3	Market value	2.50 × 3,000 = USD 7,500
4	Convert to local currency	USD 7,500 × current FX rate
5	Add other zakatable assets	Cash + gold + trade inventory + zakatable crypto
6	Compare to nisab	If total >= nisab, zakat due
7	Apply 2.5%	USD 7,500 × 2.5% = USD 187.50 on this holding

7. Link Verification and Source Notes

The following public links were checked during preparation and used as supporting references. Some social media links from the rough notes were not relied upon because direct institutional or author sources are stronger.

1. Amanah Advisors - Crypto-assets: https://amanahadvisors.com/category/fatawa/crypto-assets/
2. Amanah Advisors - Meme Tokens: https://amanahadvisors.com/category/fatawa/crypto-assets/
3. Joe Bradford - Zakat on Cryptocurrency: https://joebradford.substack.com/p/zakat-on-cryptocurrency
4. Joe Bradford - Shariah compliant coin criteria: https://joebradford.net/what-makes-a-crypto-coin-shariah-compliant/
5. Musaffa Academy - Scholars opinions:
https://academy.musaffa.com/crypto-assets-from-shariah-perspective-shariah-scholars-opinion-on-cryptocurrency/
6. Islamic Finance Guru - scholar view comparison:
https://www.islamicfinanceguru.com/articles/scholars-who-say-cryptocurrency-is-haram-and-those-who-say-its-halal
7. Darul Fiqh - Shariah interpretations of Bitcoin: https://darulfiqh.com/shariah-interpretations-of-bitcoin/
8. Islamic Relief UK - Zakat on cryptocurrency: https://www.islamic-relief.org.uk/giving/islamic-giving/zakat/zakat-and-cryptocurrency/
9. Zakat Foundation of America - cryptocurrency calculator: https://www.zakat.org/calculate-zakat-cryptocurrency
10. ADL Advisory - Zakat on digital assets: https://adladvisory.co/blog/zakat-on-digital-assets/
11. GlobalSadaqah - Crypto zakat guide: https://blog.globalsadaqah.com/crypto-zakat-guide-islamic-rulings-calculation/

Final Strengthened Conclusion

The strongest defensible conclusion is conditional: crypto-assets can be Shariah-recognized wealth where they have lawful utility, ownership, acceptance, and transparent structure. However, many crypto activities remain non-compliant because of riba, maysir, gharar, fraud, unlawful use cases, or manipulative tokenomics. Zakat should be calculated carefully according to token type, intention, accessibility, and valuation date, with 2.5% generally due on zakatable crypto once nisab and hawl conditions are met.



'Most technically sound opinion by qualified Islamic jurists'