

Public Maintenance and Taxation in Islam

(With Reference to its Application in Pakistan)

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Introduction: Allah Almighty likes prosperous people. The Apostle of Allah (SAW) has enjoined the Muslims to seek Allah's refuge against poverty, deprivation and want and ask Him for prosperity and well-being⁽¹⁾. Islam urges us to seek richness. It was narrated that the Prophet (S.A.W.) said in his prayer: "O Allah I ask You for guidance, piety, integrity and independence of means (Riches)⁽²⁾. Among the prayers to be recited in the morning and evening is: O Allah, I ask You for beneficial knowledge, a good provision and righteous deeds that are acceptable"⁽³⁾.

Allah Almighty has created the universe and has created plenty of resources to fulfill human needs⁽⁴⁾. Islam gives equal and just opportunities to everyone to use these resources with the condition to utilize these resources of the universe in accordance with the will of Allāh Almighty⁽⁵⁾. Human being is asked to work hard to explore the resources of the universe for his benefit⁽⁶⁾. From the time of birth of the human being Islam has constituted a comprehensive and extensive system of maintenance. Parents have been deputed to fulfill the needs of the child. A comprehensive system of Nafaqaat (maintenance) has been established to provide the basic necessities of life to wife, children, parents, relative and even servants at the time of need⁽⁷⁾. This is the safety net in Islam which provides the social security to every one at the family level.

Islam has established some very important institutions to ensure the provision of basic necessities of life if the institution of Nafaqaat fails to provide them. These institutions include *Zakat*, *Sadaqaat*, *Kaffaraat*, Bequeath (*Wasiat*), *inheritance*, *Hiba* (gift), *Aariyah* (lending), *Qardul Hasan* (debt without interest), *Qurbani* (Sacrificing of animals) and *Fitrana* (*Sadaqatul Fitr*). Islam has provided legal and moral umbrella for implementation of these rights and obligations. However if these institutions are not able to provide enough resources for provision of basic necessities to every one, then state is authorize to levy additional taxes on the affluent members of the society.

Pakistan is one of the most important members of Muslim Ummah. Pakistan is facing the problem of poverty. A large number people in Pakistan (more than 30%) are living below poverty line. Zakat and Ushr Ordinance was implemented in Pakistan in 1980. But it could not solve the problem of poverty due to reasons. In the present study the authors have discussed the concept taxation with references from

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the Holy Qur'an and Ahadith of the Prophet (ﷺ) and views of jurists (*Fuqaha*) of different schools of thought (مسالك) and scholars of the present day. Examples from the reign of Prophet (S.A.W) and the rightly guided caliphs have also been cited in this respect. The principles of taxation have been drawn from the examples and traditions. The taxation system in Pakistan and its impact on eradication of poverty have also been analyzed.

Section 1

Public Maintenance: What does it mean and why it is necessary?

Dr. Nejatullah Siddiqui defines "Public Maintenance" as: "it means provision of basic necessities of life to all the citizens of the Islamic State in such a way that no one is deprived of these necessities. These necessities include food, garments, residence and Medicare"⁽⁸⁾. So it is incumbent upon the Islamic State to provide basic needs of life to all the citizens, Muslim or non-Muslim, living in its territory. No one should remain in want of clothing, shelter, food, medical care and education. As the state resources grow, so should the facilities provided by the state to its citizens. These facilities include food items, garments, education and Medicare⁽⁹⁾. If the state can afford the means, it must also relieve the debtors of the burden of debt, give assistance to the poor bachelors to contract marriage and provide servants and means of conveyance to the disabled. It should also build lodges for the travelers, take effective measures for the welfare of the workers and make special arrangements to protect the weaker sections of society from inflationary pressures. Islamic state can also give loans to the needy farmers⁽¹⁰⁾.

Umar-e-Farooq (R.A), first time in world history, has made the Public Maintenance as the responsibility of the state. He presented a comprehensive system of Public Maintenance through his sayings, speeches, state policies and practical examples. After the conquest of *Qadsiah* he addressed the people and announced the conquest of *Qadsiah*. He said that I am worried about your needs and want to fulfill your need till we have the resources. When there will be no resources we shall accommodate each other till we become equal in our living standard.....I want that all of you eat and satiated so that I get "*Falah*"⁽¹¹⁾.

Muslim jurists and scholars are of the view that the provision of the basic necessities of life and equitable distribution of wealth and resources is the responsibility of the Islamic state. Monzer Kahf describes guaranteeing minimum level of living for all those whose own earnings fall shorter than satisfying their basic needs and working towards improving material welfare of the society and its individuals as much as possible within the limits of available resources. This includes objectives of economic stability, equality, increasing of employment, social and economic development, etc. as the objectives of Islamic State⁽¹²⁾. Besides that it is also the duty of an Islamic State to take all necessary measures to promote economic growth and development in its jurisdiction⁽¹³⁾. The Islamic State will

encourage private enterprise to step up economic progress and harmonize it with its overall concept of life. In this connection all possible help and facility shall be provided to the individual entrepreneur. However, that state can directly take part to provide basic paraphernalia of progress and construct the necessary infrastructure.

For instance, development of an irrigation system,⁽¹⁴⁾ expansion and renovation of means of communication, construction and maintenance of routes on land and sea, implementation of educational and health plans, power generation and exploration of sources of energy, capital or skill intensive projects or carrying out of public utility projects - works which do not attract investment of private entrepreneur due to their low yield of profit - can also be completed under public enterprise and management. In this connection special attention should be given to the development of defense industry in order to achieve self-sufficiency in defense and make the country invincible against any kind of external aggression. The state can also promote and accelerate the process of economic development by means of its monetary, fiscal and commercial policies. Economic planning and use of modern technology can also help in this enterprise.

Equitable distribution of wealth is not only necessary for the stability of the state because it eliminates the class conflict between rich and poor, but is also essential for the achievement of economic prosperity and carrying forward the process of development⁽¹⁵⁾. Factors of production, who receive an equitable wage, willingly cooperate in development efforts. It is, therefore, incumbent upon the Islamic state to establish a system of equitable distribution of wealth and curb all those factors which cause unjustified difference in private incomes.

One of the duties of the Islamic State is to adopt measures for the full utilization of human resources along with natural resources. The best form of the utilization of human resources is that every citizen of state who is able to work should be engaged in some productive venture according to his capacity. Beggary and dependency on others have been declared heinous sins in the Shariah of Islam. It is wicked to sit idle without a genuine Sharii excuse. **The worker is the friend of Allah.** The Apostle of Allah (S.A.W.) said: "To strive to earn a livelihood through right means is a obligation after the main duty (Prayer)"⁽¹⁶⁾. The Islamic State is duty-bound that on the one hand it should instill a sense of dignity and importance of work through its educational and training projects and on the other create maximum opportunities of employment through its economic policies so as to give employment to all those who are able to work except under very exceptional circumstances.

Section 2:

Resource Gap and Need for Taxation:

Looking at the august reign of the Apostle of Allah (S.A.W.), we find that no tax other than *Zakat* on Muslims and *Jizia* (Poll-tax) on non-Muslims was levied by the State⁽¹⁷⁾. However one fifth (1/5) of state portion of *Faie* (Property taken without a fight) or *Khums* (1/5 the state portion of the spoils of war) were the sources of income of the state. The nature of *Zakat* including *Ushr* was not like a tax but it was a religious duty of the Muslims to pay it. In the same way non-Muslims were levied with *Jizia* instead of *Zakat*⁽¹⁸⁾. *Jizia* was taken in the light of the verdict of Allah Almighty⁽¹⁹⁾. As for *Faie* (Property taken without a fight) is concerned the Holy Quran declares the *Faie* revenues as the right of Bait-ul-Mal (the public exchequer). *Faie* is not distributed among the soldiers of Islam.

Orders regarding 'Faie' have been issued in Sura Al-Hashr:

"Whatever Allah restored to His Messenger from the people of the habitations, belongs to Allah and the Messenger and the kinsfolk and the orphans and the needy and the wayfarers, so that it does not remain circulating among your rich people only. Take whatever the Messenger gives you, and refrain from whatever he forbids you. Fear Allah, for Allah is stern in inflicting punishment" ⁽²⁰⁾.

Khums is obligatory to set apart 1/5th portion of the spoils of war; and gold and silver extracted from the mines; or treasure trove was gone to the *Bait-ul-Mal*. This is called *Khums*. In Sura Al-Anfal Allah Almighty says:⁽²¹⁾

"And know that whatever spoils you have got, a fifth of these is for Allah and His Messenger and for the relatives and the orphans and the needy and the wayfarers; if you have believed in Allah and what we sent down on our servant on the day of decision, when the two armies met in combat, (Then yield this portion willingly): Allah has power over everything".

Hazrat Abu Huraira (RA) reported that the Messenger of Allah (S.A.W.) had said:

"Khums (1/5th portion) shall be taken from the treasure trove"⁽²²⁾.

Hazrat Umr bin Shuaib reported that Muzni enquired from the Holy Prophet (S.A.W.) "... and this man again enquired: 'O Apostle of Allah! What is the order about things found in ancient ruins?'" He (S.A.W.) replied: "From this and from the treasure trove *Khums* should be given"⁽²³⁾.

For its additional expenses the Islamic State solely depended on voluntary contributions (*Sadaqat*). Even at the time of famine and other emergencies when the people stood in dire need of help no taxes were imposed on the population. The Apostle of Allah (S.A.W.) and his illustrious

Companions endured starvation. The Ahl-i-Sufa who had devoted themselves full time to religious education in the Masjid-i-Nabvi needed financial help. But the state levied no taxes even under these circumstances. Hazrat Ayesha (RA) reported: "When the Messenger of Allah (S.A.W.) died, his financial condition was such that his coat of mail had been pawned with a Jew for thirty sau" (24).

Similarly, with reference to Ghazwa al-Rakaa, Hazrat Abu Musa (RA) narrated: 'We set out with the Messenger of Allah (S.A.W.) for Ghazwa. There was one camel to the six of us and we took turns to ride it. Walking injured our feet; our toe-nails split from the skin and we had wrapped our feet in rags' (25).

In the light of above mentioned illustrations, it is obvious that the Apostle of Allah (S.A.W.) never imposed the additional taxes on Muslims or Non Muslim except the above mentioned obligations. Some scholars hold the viewpoint that the imposition of any tax except Zakat is contrary to Islam. Their viewpoint is based on respect for the individual right of ownership, which has been protected by the Shariah. On this ground any kind of taxation would be unjustified.

Looking at the Apostles (S.A.W.) conduct in life we find that in the beginning when the dead body of an indebted person was brought to him, he (S.A.W.) would enquire: "Has he left any estate to pay his debt?" If the answer was yes, he (S.A.W.) would offer his funeral prayers; otherwise he (S.A.W.) would say: 'offer funeral prayers for your friend yourselves.' In other words, he (S.A.W.) would not say funeral prayers for a deceased who was under a burden of debt and had left nothing to pay it. However, when the era of conquests began, he (S.A.W.) said: 'I am closer to the believers than their own selves. If any of them dies indebted, it is my responsibility to pay his debt' (26).

When a suppliant came to him for help he (S.A.W.) would advise him to work for his living. There is the famous episode of an *Ansari* who came to the Apostle (S.A.W.) and sought aid from him. The Apostle (S.A.W.) suggested to him to do some business. The Apostle (S.A.W.) auctioned the *Ansari's* mantle and drinking vessel and asked him to buy an axe. The Apostle (S.A.W.) himself fixed the hand to the axe and advised him to cut wood from the forest, sell it in the market and get food for his family (27).

Manzar Kahf writes that this episode makes it clear that the Holy Prophet (S.A.W.) did not like to impose tax to solve such problems as debt-relief and creation of employment opportunities for the people (28).

In the traditions the word "*Makas*" has been used to denote 'tax'. The tax-collector was called '*Al-Makas*' or '*Al-Makaas*' or '*Sahib-ul-Makas*' who forcibly exacted taxes from the people during the days of ignorance (29).

Referring to such tax-collectors the Holy Prophet (S.A.W.) said:

"Verily, the *Sahib-al-Makas* will go to hell" (30).

The commentator of Musnad Ahmad, Abdul Rahman al-Bana Saati writes:

“There is no doubt that imposing a tax is a capital sin because frequent demands are made from the people and if demands are not met the people are subjected to tyranny. When taxes are collected they are misused”⁽³¹⁾.

In the period of the Rightly-guided Caliphs also we find no form of taxation except the import duty. Even this duty was first imposed in the reign of Hazrat Umar (R.A). This duty was levied at the rate of 2.5% on Muslims, same as Zakat, 5% on the Dhimmis (protected non muslims) and 10% on merchants of non-Muslim (*Harabi-enemy*) countries. This duty was payable only once a year. Even this duty was imposed only because in foreign countries the authorities used to collect import duty from Muslim traders on every consignment⁽³²⁾.

The second instance is that of collection of *Kharaj*. After the conquest of Iraq and Syria, Hazrat Umar (RA) decreed that the land instead of being distributed among the soldiers of Islam should be left in possession of the local owners on whom a rate of Kharaj was imposed. This Kharaj became a permanent source of revenue for the Islamic state and an asset for future generations. The rate of Kharaj was subject to change at the discretion of the Islamic government. Kharaj was payable only by the non-Muslims. The Muslims paid only the Ushr. There is no trace of any discussion on taxation in the writings of the early jurists because abundance of non-tax resources precluded any need for imposing taxes.

In substance we conclude that in the auspicious reign of the Holy Prophet (S.A.W.) this purpose of meeting the basic necessities of life and other needs of the state were achieved by three means:

1. By means of collection and distribution of Zakat and Ushr.
2. By means of distribution of Fay (Spoils gained without fighting) among the poor.
3. By means of moral inducement and advice that the well-to-do should voluntarily give financial assistance to the needy.

In the reigns of the right-guided caliphs, especially in the period of expansion of conquests, the above-mentioned policy was vigorously implemented. Utmost endeavors were made to keep the system of distribution of wealth equitable. The guiding principle in the matter of distribution of Wealth for Islamic State in all periods is that it should take measures to prevent concentration of wealth in few hands⁽³³⁾. It should ensure that the circulation and distribution of wealth takes place over a wide range of population and every citizen has an easy access to the goods and services required by him.

Besides the enforcement of Zakat and Ushr and the law of inheritance and instituting measures of inducement and persuasion the Islamic State can levy taxes to obtain the surplus wealth of the rich. Allah Almighty says in the Holy Quran:

“And in their wealth the suppliant and the deprived have also a right”⁽³⁴⁾.

A tradition reports the Holy Prophet (SAW) as saying:

“In their wealth, the deprived have a right over and above Zakat”⁽³⁵⁾.

According to another Hadith narrated by Imaam al-Tirmidhi from a group of the Sahaabah: “*There are rights over property other than Zakat*”⁽³⁶⁾.

It means that it is the authority of Islamic State to collect wealth from the rich, within certain limits, and meet the needs of the poor as to extend more benefit to the poor and economically weak sections of the population. These resources may be used for provision of basic needs including education health, housing and transportation facilities to the poor and to fulfill essential needs of the country.

Manzar Kahf writes that when the conventional sources of revenue were exhausted and financial needs, especially expenditure on defense, became enormous, the jurists began to give serious thought to taxation in order to meet the expenses of the Islamic State⁽³⁷⁾.

Imam Malik (R.A.) states that if the treasury suffers from lack of funds or defense expenditure exceeds the available resources, the state has a right to impose taxes on the affluent class of the society. However, the rate of tax should be no more than what is sufficient to meet the needs and the period of taxation should coincide with the period of need⁽³⁸⁾.

Imam Ibn-i-Hazm (RA) also supports a tax system for the Islamic State. He holds the view that taxes should be imposed only when Zakat fund is inadequate to meet the needs of the poor. According to Imam Ibn-i-Hazm (RA) the needs of the poor include food, clothing suitable to weather conditions and shelter which protects them from rain, sun and eyes of the passersby⁽³⁹⁾.

All taxes other than Zakat are imposed by way of exception, not rule. The first priority of the Islamic State is to provide financial relief and services in times of natural calamity, war, famine and shortfall in production of food grains and other essential commodities. The second priority should be given to social services which contribute to an uplift of the living standards of the people.

Regarding the first priority some scholars hold the view that it is the duty of the government to provide necessary resources. As for the second priority the government must carry out social welfare projects if and when it can find resources; otherwise there is no compulsion on it. Most Muslim economists write that an Islamic State, being a welfare state, can levy additional taxes to fulfill its duties. However, the authority of the Islamic State to impose taxes is not unlimited. Further the Islamic State must adjust the level of taxation to the economic condition of the people. At the same time it must strive to keep its expenses at the lowest level. It is argued that the Islamic State has the right to levy taxes for the following reasons:

1. To fill the resources gap created by shortfall in Zakat and Sadaqat.
2. To fill the objective gap but again it is essential that first the Islamic State should demand voluntary contributions to meet these needs. If these are not forthcoming or fall short of the need, the Government should resort to taxation.

The gist of the whole discussion is that the Islamic State is authorised to impose taxes in addition to Zakat as a supplementary or complementary policy, so that run the state affairs satisfactorily⁽⁴⁰⁾. The concept of *Daraib* is discussed by the Muslim Scholars in this context. So the taxes, apart from Zakat and Sadqat, which the Islamic State is constrained to levy on the rich to meet emergencies are called *Daraib* in Islamic terminology. Emergencies include war, drought, carrying out of urgent public welfare works and alleviation of unemployment.

Discussing the question of assisting the destitute, Imam Ibn-i-Hazm writes:

“If the Bait-al-Mal funds and revenues of faie fall short of meeting the economic needs of the suppliants, the Caliph can impose additional taxes on the rich. If they resist, the Caliph can use force to make them pay.

Ghiffari describes that the basic objective of revenue income of the Islamic state is to help the poor. If poverty decreases the taxes will also decrease and vice versa till the poor and affluent become equal in attaining the basic necessities of life⁽⁴¹⁾. He is of the view that Islam encourages the direct taxation because it affects the affluent persons in the society. Direct taxes including wealth tax and taxes on savings leads towards the equitable distribution and circulation of wealth. This leads the wealth of the rich towards the poor. Marginal propensity of the poor is higher as compared to the rich which results in increase in consumption, leading towards the increase in employment level, hence poverty decreases⁽⁴²⁾.

Section 3

Principles of taxation in the light of practices of Umar-e-Farooq (R.A) and views of companions of the Prophet of Allah Almighty:

In the formulation of its tax policy the Islamic State shall be guided by the following principles:⁽⁴³⁾.

1. Taxes should be imposed under dire necessity:

In Islam Zakat alone is a compulsory levy; all other taxes are imposed only under exceptional circumstances. The state should resort to taxation only when its resources fall short of meeting its essential needs.

2. The period of Taxation should coincide with the period of need:

The rate of tax should correspond with the inevitable need. Tax should be collected only as long as the need lasts. As Imam Malik (R.A.) says the

period of taxation should coincide with the period of need. The Islamic State should never allow a tax to become permanent and unchangeable⁽⁴⁴⁾.

3. Taxation should fulfil the objectives of the Islamic Government:

Fareedi, Salama and other experts of Islamic Economics hold the view that the objectives of the Islamic State include equitable distribution of wealth, resource allocation, economic stability and welfare. The state is authorised to levy taxes for the welfare of the people.

4. Taxation should correspond to the capacity of the Tax-payer (Ability to Pay):

Taxation should correspond with the capacity of the taxpayer. This means that the poor shall be exempt from taxation and only the rich shall be liable to pay taxes. This is a just and equitable policy.

The policy adopted by the illustrious Caliphs to impose Jazia should serve as a beacon light for us. They levied Jazia on the Dhimmis according to their capacity to pay.

According to Sahih Bukhari Ibn Abi Najih enquired from Mujahid: "Why is it that the people of Syria are subject to a rate of Jazia at four dinar per person and the people of Yemen only one dinar per person." Mujahid replied: "This is because the people of Syria are more prosperous"⁽⁴⁵⁾. Khalid bin Valeed also exempted those non muslims who were not able to pay *jiziz*⁽⁴⁶⁾.

5. The Principle of Equity:

Equity is an important principle in imposing the tax burden.

Imam Ghazali (RA) and Ibn-i-Timya, Al-mawardi and other jurists pay great emphasis on this principle. Mutzaid (Progressive) taxes are more consistent with the principle of equity. Yusuf-al-Qardawi writes:

"It is unjust to put unequal people on a footing of equality (in the imposition of taxes)⁽⁴⁷⁾.

The indirect taxes put an equal burden on the rich and the poor⁽⁴⁸⁾. Indirect taxes affect the poor and make it difficult to realise the Islamic economy's objective of redistribution, so direct taxation appears to more just than indirect taxation. However, indirect taxes may be imposed on luxury goods.

The nature of taxation (*i.e.*, direct or indirect) should be determined by the Islamic State. Imam Ghazali (R.A.) holds the same view. He states that the decision about the amount of taxable wealth and income should be left to the Islamic State⁽⁴⁹⁾.

The people who earn with greater toil should be liable to a low rate of tax, as is the case of Ushr.

According to Yusuf-al-Qardawi the following points should be kept in view in the assessment of personal tax:

1. Exemption to the minimum possible limit.
2. Due consideration for the source of income.
3. Tax on real income after deduction of expenses and dues.
4. Allowance for family responsibilities.
5. Allowance for obligations.

In this matter the Hanafi jurists hold the view that if a man's debt equals his whole assets and in addition there are prompt or deferred demands on him such as Zakat, debt, damages for loss, wife's dower, he is exempt from Zakat⁽⁵⁰⁾.

7. The Principle of Certainty:

According to Yusuf al-Qardawi justice demands that the taxpayer should know with certainty the amount payable by him and the mode in which he has to pay it.

8. The Principle of Convenience:

This principle implies that all sorts of facilities should be provided to the taxpayer in the matter of tax assessment. Similarly, leniency should also be shown in the collection of tax.

9. The Principle of Economy:

Economy should be observed in defraying the cost of administration *i.e.*, salaries of the staff and other expenses.

Administration should be so streamlined that time and money of the taxpayer should not be wasted in appeals for re-assessment, lodging of complaints and petitions for the removal of excesses.

Section 4

Uses of Tax Income:

Allah Almighty likes prosperous people. The Apostle of Allah (SAW) has enjoined the Muslims to seek Allah's refuge against poverty, deprivation and want and ask Him for prosperity and well-being⁽⁵¹⁾. It is, therefore, the first and foremost duty of the Islamic State to relieve its citizens of poverty and hunger and to make them prosperous. It is ultimate responsibility of the Islamic State to provide the basic necessities of life to every person.

Muslim jurists and scholars are of the view that the provision of the basic necessities of life and equitable distribution of wealth and resources is the responsibility of the Islamic state. Monzer Kahf describes guaranteeing minimum level of living for all those whose own earnings fall shorter than satisfying their basic needs and working towards improving material welfare of the society and its individuals as much as possible within the limits of

available resources. This includes objectives of economic stability, equality, increasing of employment, social and economic development, etc. as the objectives of Islamic State (⁵²).

In the light of above discussion it reveals that the Islamic state should take the following steps:

I. The system of Zakat ad Ushr should be implemented in its letter and spirit. If it is implemented the state can get much resources which will be enough for the needs of the people who are living below poverty line. The wheat production in Pakistan this year is about 23million tons and that of rice is about 6 million tons. If the rich farmers pay the Ushr for this year that will be billions of rupees. In this way can fulfill the basic needs of the poor people.

II. There are the heads of expenditure where Zakat can not be spent besides the other expenditures. The state can demand volunteer funds for different project which are necessary for the development and progress of the country.

III. Even after getting the volunteer funds from the people state can levy taxes on the affluent members of the society. In levying of the taxes following points should be taken into consideration:

- The ability to pay of the taxpayers.
- Emphasis should on the direct taxes. It means indirect taxes may be avoided as much as possible. Because the tax burden of the indirect taxes is on the poor and middle class. This leads toward poverty in the masses. This phenomenon can be seen in Pakistan economy because one of the reasons of increase in poverty is tax burden on the poor and middle income groups of the society.
- Tax evasion is a big problem in the societies like Pakistan. The reasons behind this are known to every one. Steps should be taken to avoid it.
- People should be making sure that the tax collected from them will be used for their welfare against the present situation where fifty percent of the tax revenue is spent on debt servicing.

IV. The expenditure out of the tax revenue should be development targeted.

Section 5

Need for implementation of Islamic Concept of Taxation in Pakistan:

Pakistan is a gift of God. It is full of natural resources. Its climate, its strategic situation, its mountains, its meadows, its agricultural fields, its sea and the other blessing are exemplary in the world. Its human resources are very precious. But the dark side of the picture is that a major portion of the population is living under poverty line. There is a big gap in distribution of income and wealth. The following table shows the poverty trends in Pakistan in different years.

Table-1: Poverty Trends (Headcount Ratios) ⁽⁵³⁾.

	1986-87	1987-88	1990-91	1992-93	1993-94	1996-97	1998-99	2000-2001	2004-05	2005-06
Pakistan	29.1	29.2	26.1	26.8	28.7	29.8	30.6	34.5	23.9	22.3
Urban	29.8	30.3	26.6	28.3	26.9	22.6	20.9	22.7	14.9	13.1
Rural	28.2	29.3	25.2	24.6	25.4	33.1	34.7	39.3	28.1	27.0

Table-1 shows that Headcount ratio in different years. It is showing that the percentage of population below the poverty line has fallen marginally from 23.94 percent in 2004-05 to 22.32 percent in 2005-06, an improvement of 1.62 percentage points. Poverty in rural areas declined from 28.13 percent to 27.0 percent, showing an improvement of 1.13 percentage points between 2004-05 and 2005-06. Poverty in Urban areas also registered a decline from 14.94 percent to 13.1 percent during 2004-05 and 2005-06, thereby, depicting an improvement of 1.84 percentage points in the period. The improvement in poverty headcount in percentage points terms at 1.9 percent in urban areas was nearly twice that of rural areas. Following table also depicts the current situation in Pakistan regarding poverty.

Table-2: Trends in Poverty Indicators ⁽⁵⁴⁾.

Year	Headcount			Poverty Gap			Severity of Poverty		
	Urban Pakistan	Rural		Urban Pakistan	Rural		Urban Pakistan	Rural	
1998-99	20.9	34.7	30.6	4.3	7.6	6.4	1.3	2.4	2.0
2000-01	22.7	39.3	34.5	4.6	8.0	7.0	1.4	2.4	2.1
2004-05	14.9	28.1	23.9	2.9	5.6	4.8	0.8	1.8	1.5
2005-06	13.1	27.0	22.3	2.1	5.0	4.0	0.5	1.4	1.1

The figures shown in the table-1 and table-2 are from the government sources⁽⁵⁵⁾. The poverty trend shown in the table the year 2004-2005 and 2004-2006 seems to be different from the ground reality because poverty is continuously increasing in Pakistan. The situation in the current years (2007 to 2009) has become worsened. At present about half of the population is living under poverty line in Pakistan.

The following table shows the consumption inequality in the country. Consumption inequality is measured by the Gini Coefficient and ratio of highest to the lowest quintile. The Gini Coefficient takes on a value between 0 and 1. The higher the value of Gini Coefficient, the higher will be the inequality. Inequalities among the different income groups are increasing day by day in Pakistan. It shows that the gap between haves and have nots is increasing. It makes the situation of the poor people worsened. This situation is shown in the table3.

Table-3 Gini Coefficient and Consumption Shares by quintiles⁽⁵⁶⁾.

	PIHS 2000-01			HIES 2004-05			PSLM 2005-06		
	Urban	Rural	Pakistan	Urban	Rural	Pakistan	Urban	Rural	Pakistan
Gini Coefficient	0.3227	0.2367	0.2752	0.3388	0.2519	0.2976	0.349	0.2462	0.3018
Consumption share by Quintile									
Quintile 1	5.3	12.8	10.1	4.8	12.6	9.5	4.5	13.5	9.6
Quintile 2	8.1	16.9	13.7	7.6	17.1	13.2	8.2	16.8	13.1
Quintile 3	12.1	19.5	16.8	11.6	19.7	16.4	11.1	20.1	16.2
Quintile 4	19.4	22.4	21.3	18.3	23	21.4	17.8	23	20.8
Quintile 5	55.1	28.4	38	57.7	27.6	39.4	58.4	26.6	40.3
Ratio of Highest to lowest	10.4	2.22	3.76	12.02	2.19	4.15	12.98	1.97	4.2

The above shows the value of Gini for Pakistan and rural-urban divide obtained from the three Surveys, i.e., PIHS 2001, HIES 2004-05 and PSLM 2005-06. Starting from the beginning of the decade, the secular rise in Gini values continues at the national level and urban areas, indicating that consumption inequality continues to increase during the period, particularly for the middle quintiles 3 & 4 in urban areas. Between 2004-05 and 2005-06, consumption inequalities further increased from 0.2976 to 0.3018. The estimates indicate that consumption inequality in urban Pakistan is higher than in rural Pakistan⁽⁵⁷⁾. These trends show that poverty and income inequalities are serious problem in Pakistan.

On the other side the tax collection has been doubled in last five years. The tax base has been broadened. Indirect taxes have been imposed on the most of the goods of daily use. These are indirect taxes⁽⁵⁸⁾. The tax burden of the indirect taxes is on the poor and middle income⁽⁵⁹⁾. That is the reason of increasing poverty and gap in income distribution.

The official document of the government of Pakistan confesses this situation in the following words. "There is over dependence on indirect taxes, which until recently, accounted for nearly 60 percent share in revenues. This has increased the regressivity of the tax system and imposed a higher burden of taxation"⁽⁶⁰⁾.

The following table shows the trends in tax collection in Pakistan in different years.

Table 4: Structure of Federal Tax Revenue (Rs. Billion)⁽⁶¹⁾.

Year	Total (FBR)	Tax Rev as % of GDP	Direct Taxes	Indirect Taxes			
				Customs	Sales	Excise	Total
1990-91	111.0	11.0	20.0 [18.0]*	50 (54.9)^	16.0 (17.6)^	25.0 (27.5)^	91.0 [82.0]*
1996-97	282.0	12.0	85.0 [30.1]	86 (43.7)	56.0 (28.4)	55.0 (27.9)	197.0 [69.9]
1997-98	293.7	11.0	103.3 [35.0]	74.5 (39.1)	53.9 (28.3)	62.0 (32.6)	190.4 [65.0]
1998-99	308.5	10.0	110.4 [35.8]	65.0 (33.0)	72.0 (36.3)	60.8 (30.7)	198.1 [64.2]
1999-00	346.6	9.1	112.6 [32.5]	61.6 (26.4)	116.7 (49.9)	55.6 (23.7)	234.0 [67.5]
2000-01	392.3	9.4	124.6 [31.8]	65.0 (24.3)	153.6 (57.4)	49.1 (18.3)	267.7 [68.2]
2001-02	403.9	9.2	142.5 [35.3]	47.8 (18.3)	166.6 (63.7)	47.2 (18.0)	261.6 [64.7]
2002-03	460.6	9.6	148.5 [32.2]	59.0 (18.9)	205.7 (65.9)	47.5 (15.2)	312.2 [67.8]
2003-04	518.8	9.2	165.3 [31.9]	89.9 (25.4)	219.1 (62.0)	44.6 (12.6)	353.6 [68.1]
2004-05	588.4	8.9	176.9 [30.1]	117 (28.5)	235.5 (57.2)	58.7 (14.3)	411.4 [68.9]
2005-06	713.4	9.4	224.6 [31.5]	138 (28.3)	294.6 (60.4)	55.0 (11.3)	487.9 [68.5]
2006-07	847.2	9.7	333.7 [39.4]	132.3 (25.8)	309.4 (60.3)	71.8 (13.9)	513.5 [60.6]
2007-08 (B.E)	1025.0	10.3	408.2 [39.6]	154 (24.7)	375 (60.3)	91.0 (14.6)	622.3 [60.4]

*as % of total taxes

^ as % of indirect taxes

Source: Federal Board of Revenue

It is obvious from the above table that major portion of taxes in Pakistan is coming from indirect taxes. It was 82 percent in 1990-91, 68 percent in 2000-01 and 60.4 percent in 2007-08. The burden of indirect taxes is on the poor and the middle income group. As indicated above Islamic emphasis is on the direct taxes because these taxes are near to justice and ability to pay of the people. So there is need to reverse the situation so that the poor may get the relief and the responsibility of the state pertaining public maintenance is fulfilled.

As for expenditures out of the tax revenue in Pakistan is concerned, a very little amount is directly spent on the public and especially on the poor. This situation is shown in the following table.

Table 5: Consolidated Revenue & Expenditure of the Government (Rs. Billion)

	Prov. Actual July-June 2005-06	Prov. Actual July-June 2006-07	Budget Estimate 2007-08	Revised Projections 2007-08*
Total Expenditure	1402	1675	1875	2228.9
Current Expenditure	1121	1375	1378	1832.5
i) - Federal	788	973	962	1416.5
-Interest	237	369	375	503.2
- Defense	242	250	275	277.3
- Others	309	354	312	636
ii) Provincial	333	402	426	416

The above table shows that a sum of Rs. 375 billion was budgeted for interest payments in 2007-08. The year is likely to end with interest payments of Rs.503.2 billion--- surpassing the targeted level by Rs 128.2 billion⁽⁶²⁾. The budget for defense was targeted Rs.277.3 billion. The current expenditure stood at Rs 1378 billion during the fiscal year2007-08. While the amount allocated for development expenditure Rs. 561 billion for Fiscal Year 2007-08.

Table-6: Social Sector and Poverty Related Expenditures (Rs. in Billion)

	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Projected
Community Services	11.0	16.6	28.5	41.7	63.6	76.6	82.5
i. Roads, Highways & Buildings	6.3	13.2	22.8	35.2	53.3	60.0	69.1
ii. Water Supply and Sanitation	4.6	3.4	5.8	6.5	10.3	16.6	13.4
Human Development	90.7	105.8	134.1	155.8	217.9	231.8	316.3
i. Education	66.3	78.6	97.7	116.9	141.7	162.1	224.7
ii. Health	19.2	22.4	27.0	31.4	39.2	53.2	62.3
iii. Population Planning	1.3	3.1	4.7	4.6	10.2	7.0	13.3
iv. Social Security & welfare	3.7	1.3	4.1	2.0	7.6	4.5	9.8
v. Natural Calamities	0.2	0.4	0.5	0.9	19.2	5.0	6.2
Rural Development	24.3	34.2	44.5	59.7	78.5	101.8	101.9
i. Irrigation	10.1	15.5	22.5	37.9	59.8	74.8	77.6
ii. Land Reclamation	1.8	1.8	2.0	2.1	2.7	2.3	3.5
iii. Rural Development	12.3	16.9	18.6	15.4	15.0	22.2	19.5
iv. Rural Electrification			1.4	4.4	1.0	2.5	1.3
Safety Nets	8.3	13.8	12.3	8.4	9.4	9.2	12.2
i. Food Subsidies	5.5	10.9	8.5	5.4	6.0	5.5	7.8
ii. Food Support Program	2.0	2.2	2.8	2.7	3.1	3.5	4.0
iii. Tawwana Pakistan	0.8	0.6	0.6	0.1	0.0	0.0	0.0
iv. Low Cost Housing		0.1	0.4	0.3	0.3	0.3	0.4
Governance	33.0	38.5	41.8	50.5	65.2	78.1	84.6
i. Administration of Justice	2.0	2.3	2.4	3.1	5.6	5.1	7.3
ii. Law and order	31.0	36.3	39.4	47.4	59.6	73.0	77.3
Total	167.3	208.8	261.3	316.2	434.6	497.5	597.5
As % of GDP	3.8	4.32	4.6	4.8	5.6	5.7	6.0

While the amount allocated for pro poor expenditures is Rs.597.5 billion but the amount allocated for expenditures on provision of safety nets is only Rs. 12.2 billion. This amount is too little to show any change in the situation of poverty in Pakistan. The other pro poor expenditures except on education, health, social security and irrigation may have a very little impact on the condition of the poor in the country.

Section-6

Suggestion and Recommendations:

Islam directs to safeguard the interest of the citizens of the Islamic state and in particular that of the poor members of the society. Imam Shatbi names these interests as:⁽⁶³⁾.

1. *Din* (Religion)
2. *Nafs* (Life)
3. *'Aql* (Intellect)
4. *Nasl* (Family) and
5. *Mal* (Propety)

For safeguarding these interests of the people it responsibility of the state to relieve all types of hardships from the people. This relief from hardship includes the relief from extra financial burden in the form of taxes or others and to give the relief protection in the form saftynets and expenditures on provision of social security to every one. In this context it is recommended that the state should take care of the principles given by Islam. Every citizen of the Islamic state should be given the guarantee of the minimum level of living. The social security system implemented by Umar-e-Farooq (R.A) and Umar bin Abdul Aziz (R.A) should be taken as example. This will lead towards a prosperous welfare state. \

Conclusion:

Islam being the God given *deen* addresses the genuine problems of the humanity. Poverty is the one of the most serious problems. Poverty is a curse. This is one of the most important problems faced by humanity today. Billions of the people in the world are facing this problem. Islam has given a great importance to the solution of this problem. Zakat, Ushr, sadaqaat, charity of surplus, institution of *waqf* (Trust) and many prohibitive measures have been implemented by Islam on its followers to avoid the problem of unequal and unjust distribution of wealth and poverty at micro level

If the resources are not enough to meet the requirements the masses than it is permitted to levy additional taxes on the affluent people with the condition that resources should be used with honesty and should not be wasted. The tax revenue should be used in general welfare of the masses. If this system is implemented in letter and spirit we can save the society from disasters.

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