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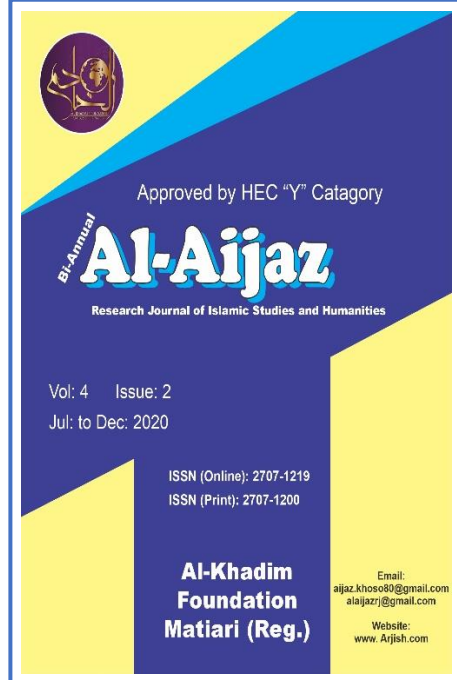
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TOPIC:

Islamic Concept of Zakat and Tax: Similarities and differences

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Islamic Concept of Zakat and Tax: Similarities and differences

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Abstract

Islam is a complete code of conduct. Per the obligation of physical prayers, there are other aspects in the form of pillars. All the pillars have been clarified in the light of Quran and Sunnah. As we viewed the fact, that zakat is a financial prayer for fulfilling the economic needs of the poor people. Equally, we can perceive that the Muslim countries including Pakistan have their directions for the gathering of taxes from the Muslims. This study has been carried out to elaborate the concept of zakat and tax in Islam. Furthermore it has found similarities and differences of zakat and tax, and to discover the Islamic concept of tax from muslims in comparison of zakat. Therefore, for this purpose all the available online documents Quran verses and A hady is including articles, blogs, journals' website, e-books and thesis were brought under consideration. Moreover, interviews were conducted. Responses were got from five prominent Muslim scholars regarding the concept of zakat and tax. Four main questions were asked with some sub questions and relevant critical responses were found. However discourse analyses were followed for finding out whether the terms are similar or different and then themes were drawn for describing the Islamic concept of zakat and tax. Data were analyzed based on the themes. It was recommended that tax money may be utilized only for the welfare of citizens and development of country otherwise it is unlawful in Muslim country to take tax from Muslims.

Keywords: Prayers, Zakat, tax, financial support, Islamic concept.

Introduction

Poverty is an important problem of our generation. People throughout the world are screaming out for assistance. Most individuals are disgruntled stakeholders of the group because of deprivation. The elimination of oppression and the equal and equal transfer of income are also emphasized in Islamic education. Therefore, in Islam, the notion of 'Zakat' was issued¹.

Zakat is amongst the five pillars of Islam that counts as the second element after salat. It is a compulsory annual amount, which is paid in an Islamic country from the resources of a Muslim person. That is provided for charity reasons.² Across the other side, like a duty of any person, taxes should therefore be expected to pay. It is claimed, under the state constitution, whereby zakat can be a tax rates payment³. Two integral components of the Islamic financial structure are Zakat and the progressive income tax; although the components of duty and obligation are inculcated in zakat and taxation. Both represent two different principles that the Islamic public needs to understand and admire thoroughly⁴.

Form the historical background, this can be perceived that zakat is an Islamic obligatory

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Eligibility for the reception of Zakat

Eight groups of citizens are entitled to obtain Zakat. This categorization has been mentioned in the holy Quran.

Figure 1: Criteria for receiving Zakat⁷



Nisab Zakat

Nisab is calculated on the gold or silver rate's actual commodity rate. The Nisab is;

1. 3 ounces/87.48 grams of gold
2. 21 ounces/612.36 grams of silver as the cash equivalent⁸.
3. As banknotes, checks and bonds are documents with guaranteed credits, so banknotes, checks, and bonds are subject to zakat, at the rate of one-fortieth of their value, when they are owned for one year and attain the minimum of nisab (being equal in value to 200 silver dirhams). A person may change them into currency immediately. They are combined with currencies, gold and silver, and commercial merchandise.
4. Zakat is the subject of any industrial commodity that is legally acceptable for that use, consumption, purchase and sale (e.g. garments, wheat, iron, copper, cattle, sheep, homes, shops and cars). The proportion is one-fortieth.⁹
5. The means of funding are houses and transportation services. Anyone who hires out a home, a store, equipment, vehicles, or property, or who has public transport, should make payments on the cost and revenue earned. If their yearly income is equivalent to the nisab, the owner pays their zakat per month after the money spent on them is calculated.
6. Although autonomous enterprises' earnings, incentives and wages are constant, ongoing, and theoretically increasing, they are entitled to zakat if the remaining amount exceeds nisab after the annual estimated subsistence investment. The percentage is one-fortieth. Livestock, cattle, and goats are entitled to zakat¹⁰.
7. At the end of the month of Ramadhan, almost any Muslim is obliged to submit Zakat-

ul-Fitr as a tribute of gratefulness to Allah SWT for making allowed them to practice fasts¹¹.

Importance of zakat in the light of Islam

Sharia does not limit the matter of charity to the individual calculation of those who are in whose faith its finances are placed, it determines where all these profits ought to go. We can observe the importance of Zakat in the light of the Quranic Verses.

“The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarers; a duty imposed by Allah. Allah is All-knower, All-Wise.” (9:60).¹²

Allah SWT warns those who refuse to give charity, saying: “Let not those who covetously withhold of the gifts which Allah has given them of His grace think that it is good for them: Nay, it will be the worse for them. Soon shall the things which they covetously withheld be tied to their necks like a twisted collar, on the Day of Judgment?” (Quran 3:180)¹³.

At-Tabarani relates on the authority of Ali RAA that the Prophet SAW said: “Allah has enjoined upon rich Muslims a due, to be taken from their properties corresponding to the needs of the poor among them. The poor will never suffer from starvation or lack of clothes unless the rich neglect their due. If they do, Allah will surely hold them accountable and punish them severely.” (Al-Tabrani). Prophet Mohammed SAW has also warned those who refrain from the charity in drought and difficult times: “Those who refrain from paying charity are deprived of rain from the sky, had it not been for the livestock, it would not have rained.” (Ibn Majah & Al-Baihaqi)¹⁴.

Tax

Islam has a unique economic and taxation outlook, since the Islamic foundation is distinct from that of socialism. Taxes place the focus of taxing on property instead of profits in Islam even under the caliph. The framework of Islamic taxes does not tax revenue, but taxes money¹⁵.

In Islam, the Quran and the Sunna were and are the origins of tax law¹⁶.

As taxes are a responsibility on citizens in the views of religious academics in exchange for preserving their rights and making a positive participation among people in society. Taxes are regarded as such in Islam;

S.No	Form of Tax	Description
1.	Money tax	Economic offerings, including taxation or gold and silver, and those of animal herds such as horses, cows, camels and the like.
2.	Land tax	Including the tenth, half tenth, and the crop (including what comes from the land, animals such as milk and meeting, and rent.
3.	Individuals tax	That is a tax taken from non-Muslims to live and enjoy a Muslim's right to live in the Muslim country. This form of tax involves the breaking rapid tax that is a duty to be charged by any head of household who has surplus money after reaching his or her at the end of Ramadan. For each member of the living members, the family

		needs to be compensated.
4.	Alashoor tax	Muslims pay it on their emoted and exported goods to the treasury of nations, which is essentially a customer obligation in today's life. (The interesting aspect here is that no more would be collected if the nation collected sufficiently that year to fulfil its needs).
5.	Booty	Captured goods after a battle) tax, which is one fifth of the lot
6.	Mineral tax	One fifth

Similarity in Zakat and Tax

Zakat and tax were found different by nature, purpose, necessity, compulsion and nisab. Both the terms were similar based on financial agreement.¹⁶

Differences in Zakat and Tax

Zakat	Tax
Zakat is a compulsory Ibadah from Allah Almighty.	The law of the government has fixed tax.
Nisab zakat has been fixed and can be found its fixation in the light of Quran and Sunnah.	On the other hand, tax fixation based on the state authority.
Zakat is also different based on its regular system from Allah Almighty.	Tax has no fixed system but change may occur with the passage of time.
Zakat is for the purification of wealth and based on the spiritual and moral values.	Tax has no such objectives of purification or spirituality. ¹⁷

Findings of the Interviews

Theme I: Tax as max

The word "Max" has been used in the hadiths of Prophet Muhammad S.A.W. Imam ibn I Aseer explained the term "Max" in the book "*Kitab ul Nihaya fi ghareeb al aser*" as "In early ignorant period the money taken by the traders came for selling their goods was called "Max" in return of their safety and permission for trading in those areas. Therefore, we cannot mix the term of zakat with the tax.

Concept of Zakat and tax

Theme II: Zakat is a fixed pillar while tax obligation based on government need

Zakat is a fixed pillar of Islam. Those who deny from its payment are "*Wajib ul Qatal*". That is why during the time of Hazrat Abu Bakar R.A jihad was announced with *Munkireen- I-Zakat*. On the other hand, tax can be obliged if needed and its collected revenue will be for the social welfare and security of *Millet -I -Islamia*. However, if not required then tax will be come under the category of injustice.

Theme III: Nisab I zakat and tax revenue

For the compulsion of zakat, 20-deenar gold or 200-deenar silver is essential; while tax can be fixed and may be taken from each person without any fixed rules. For example, "A poor man pays tax even if he buy a piece of soap. Even they pay tax on recharging their mobile

balance. According to a Pakistani report of 2017, total 25000 billion direct and indirect tax is collected per year.

Difference between Zakat and Tax

Theme IV: Zakat is an important pillar while tax is different

Zakat is not a tax but among one the five pillar of Islam. In the light of sharia, zakat is not a tax but an important pillar whereas tax sometimes can be come under the category of injustice.

Theme V: Tax for fulfilling the needs of the poor

During the period of Prophet Muhammad S.A.W and caliph, there was the system of Bait ul Mal in which different revenues were brought in the collection such as;

- *Khums I ghanaim,*
- *Mal -i-fay,*
- *Khums I mawin,*
- *Khums I rekaz,*
- *Kharaj from the lands of the non-Muslims,*
- *Zawai(lawaris shaksh ki meeras).*

Now days such sources are not in use so for the fulfillment of humans needs tax as a system has been established, because without taking tax, state system may be in danger. Although there are, some faults in the present age tax system but there are some good aspects as well.

Theme VI: Suggestions for taking Tax

1. Tax should be fixed according to need.
2. It may be bearable for everyone.
3. It may be utilized for the welfare of citizens and not for paying the wedges of government.
4. Tax collecting process may be appropriate.
5. Tax payment may be utilized for the development of infra-structure.
6. Government should be responsible for the safety of their citizen.

If above suggestions are not kept in utilization of tax money it is unlawful in Muslim country. Quran warn for those who are not following it.

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