

Title: Ending Exploitative Taxation

A Zakat-Based System for justice Economic Growth, and welfare for Al

Imagine working an entire month, only to see a significant portion of your hard-earned income disappear in taxes — not on luxuries, but on the food you eat, the electricity you use, or the bus you take to work. This is the reality for millions of low-income families living under exploitative tax systems. Exploitative taxes are those that place an unfair and unreasonable burden on citizens, especially those with low or fixed incomes. In many countries, such taxes target basic necessities rather than luxury items or high earners. People end up paying heavy taxes on groceries, utilities, transportation, mobile communication, and small banking transactions — expenses that are unavoidable for everyday living. Instead of supporting the public, these taxes trap many families in financial struggle.

Taxation is meant to fund public services like hospitals, schools, roads, and social programs. However, when taxes themselves become a source of suffering, they lose their purpose. Exploitative taxes reduce purchasing power, limit opportunities, and widen the gap between the rich and the poor. Instead of creating stability, they create stress, hardship, and inequality.

A zakat-based system offers a parallel solution. Just as fair taxes aim to distribute wealth responsibly, zakat ensures that those with more resources contribute to the welfare of the less fortunate, promoting justice, reducing inequality, and supporting economic growth.

Examples of Exploitative Taxes

Taxes on groceries are among the most harmful. Consider a family trying to buy bread, flour, or cooking oil; each purchase carries an indirect tax. Even though income tax has already been deducted from salaries, these everyday necessities are taxed again.

Mobile and digital financial services, such as mobile banking or money transfers, also impose fees and taxes. For low-income users who depend on these platforms to receive salaries or send money to relatives, even small transactions lose part of their value.

Students face additional pressure. Essential documents such as transcripts, certificates, and examination forms may carry fees that function as hidden taxes. A family barely affording tuition now struggles to manage these additional costs.

Utilities like electricity, water, and gas include multiple layers of taxes and surcharges. A household may find that nearly half of their monthly bill consists of taxes, not actual usage. For some families, paying for these services becomes a monthly struggle.

Even small banking actions — withdrawing cash, making online transfers, or depositing savings — carry withholding taxes or service charges. For low-income families, these small amounts add up, slowly draining hard-earned money.

A zakat-based approach would reduce such burdens by ensuring that wealth flows to those in need, allowing families to afford essentials without being trapped by repeated financial obligations.

The Problem of Double Taxation

One of the most harmful aspects of exploitative tax systems is double taxation. People often pay tax on their salaries but are taxed again while buying food, fuel, communication services, or school supplies. In effect, the same income is taxed multiple times, leaving little room for savings or financial stability.

High-income individuals or large companies often use legal loopholes, exemptions, or preferential policies to reduce their tax burden. Special privileges, tax holidays, and economic incentives allow them to contribute far less despite earning much more.

This creates a deeply unfair system. The poor and middle class pay a disproportionate share simply because they cannot avoid essential purchases, while those who earn more can shield their income from taxation.

How Much the Poor Pay vs. How Much the Rich Pay

In many exploitative tax systems, low-income households pay a much larger share of their income in taxes than high-income groups. A poor family may spend 25% to 35% of its total income on indirect taxes hidden in groceries, utilities, fuel, and communication services. In contrast, wealthy households often pay only 5% to 10% of their income because essentials form a small portion of their earnings. This stark difference illustrates how deeply unfair the system becomes: the poor lose a significant portion of their income, while the rich contribute far less proportionally.

A zakat-inspired system could address this imbalance by requiring the wealthy to contribute proportionally to the welfare of the less fortunate, ensuring fairness while providing social and economic support for those in need.

Impact on Families and Society

Exploitative taxes affect every aspect of life and society.

1. Strain on Household Budgets

When essential goods are heavily taxed, families spend most of their monthly income on food, rent, utilities, transportation, and school fees. For example, a single parent earning a modest salary may struggle to pay both the electricity bill and buy enough food for the children.

2. Impact on Education

Rising education costs — tuition, uniforms, and essential documents — push children from low-income families to drop out or choose lower-quality schools. This limits future opportunities and hinders national development.

3. Mental and Emotional Stress

Constant financial strain affects mental health. Parents worry about paying bills, affording food, or covering medical costs, which creates anxiety and emotional exhaustion.

4. Economic Slowdown

Reduced spending power slows business growth. Fewer sales, lower profits, and fewer jobs result when citizens have little disposable income. A tax system that drains the majority weakens the entire economy.

5. Widening Inequality

Exploitative taxes deepen inequality. Low-income families bear the brunt of the burden while wealthy households often continue to grow their wealth, creating a divided society with fewer opportunities for upward mobility.

A zakat-based model could help balance this inequality by channeling resources from those who can afford it to those who cannot, reducing the wealth gap and supporting sustainable social welfare.

Global Examples of Equitable Taxation

Countries that have fair and effective tax systems follow three key principles:

1. Essentials are tax-free or lightly taxed

Basic items such as food, medicine, children's supplies, and essential services either carry no tax or very low tax rates. This ensures low-income families can meet basic needs without excessive financial strain.

2. High-income earners contribute more

Tax rates rise with income. Wealthier citizens contribute a higher proportion of their earnings, ensuring fairness and funding public services without harming vulnerable groups.

3. Luxury goods and non-essential services are taxed more

Expensive vehicles, luxury housing, high-end electronics, and corporate profits are often taxed at higher rates. This increases government revenue without burdening low-income households.

These principles align closely with the goals of a zakat-based system, where redistribution and proportional contributions promote social justice and economic stability.

Toward a Fair Tax System

A fair tax system can transform a society. It reduces inequality, supports development, and improves citizens' quality of life.

1. Tax According to Income

Taxes should be proportional. A modestly paid worker contributes a manageable amount, while high earners contribute more.

2. Remove Taxes on Essential Items

Necessities like food, medicine, utilities, school supplies, and basic household goods should not be heavily taxed. This safeguards vulnerable families.

3. Tax Luxuries and High-Value Activities

Luxury items, high-end vehicles, expensive properties, and non-essential services should carry higher taxes. Corporate profits should be taxed fairly without excessive exemptions.

4. Remove Transaction Taxes

Small fees on ATM withdrawals, digital transfers, and mobile balance should be minimized, especially for low-income users.

5. Close Loopholes

Tax evasion and avoidance must be curtailed by tightening laws and increasing transparency.

6. Improve Public Trust

Citizens are more willing to pay taxes if they trust their money is used responsibly. Governments should ensure transparency and accountability in spending.

A zakat-based approach could complement these steps, ensuring that wealth is shared responsibly and systematically to benefit the whole community.

Conclusion

Ending exploitative taxes is essential for creating a fair, prosperous, and stable society. A just tax system does not burden those who struggle most; it protects them. Fair taxation allows families to rise out of poverty, children to stay in school, and economies to grow.

When taxes are unfair and excessive, poverty deepens, inequality widens, and national progress slows. A society grows when its people grow — and that growth begins with fairness.

A zakat-based approach reinforces these principles by promoting wealth redistribution, economic growth, and social welfare for all. Eliminating exploitative taxes and establishing a transparent, equitable system inspired by zakat principles ensures a more equal, and prosperous future for every citizen