
Ending Exploitative Taxation: A Zakat-Based System for Justice, Economic Growth, & Welfare for All

Introduction

Pakistan in 2025 is facing many economic problems: rising prices, high poverty, a weak tax system, and very low trust in government. Many people feel the tax system is unfair because the burden falls mostly on the poor and middle class, while wealthy groups often escape taxes.

In this situation, people are discussing an important question:

Can Pakistan reduce unfair taxation and build a fairer economic system by using a modern, transparent, and well-managed zakat system?

This article explains how a zakat-based welfare model can support justice, economic growth, and social protection in Pakistan.

Pakistan's Current Economic Situation

Pakistan's tax-to-GDP ratio has been low for many years. This means the government collects very little tax compared to the size of the economy. Poverty has increased because of inflation, climate disasters, and unemployment. Government welfare programs exist, but they are not enough for such a large population.

All this shows that Pakistan needs a stronger, more reliable, and more trusted social support system.

Understanding Zakat and Its Legal Position in Pakistan

Zakat is a compulsory duty in Islam. Muslims who meet a certain wealth limit (nisab) must give a fixed share of their assets to help the poor.

Pakistan already has laws for zakat collection and distribution. The Zakat and Ushr Ordinance of 1980 created a formal structure for zakat boards at federal and provincial levels. However, this system needs modernization because of issues like weak management, lack of transparency, and outdated procedures.

Why People Want Change: Problems in the Current Tax System

- Pakistan's tax system is regressive, meaning poor people pay more (mainly through high indirect taxes like GST) while the rich often avoid taxes.
- There is low transparency, so people do not trust how tax money is used.
- Many people feel taxes make life harder without giving enough benefits in return.

Zakat, on the other hand, is religiously mandated, socially trusted, and directly focused on helping the poor. That's why people think a zakat-based system may be fairer.

But it is also important to note that zakat cannot fully replace taxes because the government needs taxes for major services like infrastructure, education, policing, and defense.

A Practical Way Forward: A Zakat-Integrated Fiscal System

Instead of replacing taxes completely, Pakistan can build a mixed model where taxes and zakat work together.

1. Clear Roles for Zakat and Taxes

- Taxes → Used for national-level expenses: roads, hospitals, defense, public services, government salaries.
- Zakat → Used directly for poor families, widows, orphans, unemployed youth, health support, food programs, and emergencies.

2. Digital Zakat Collection

Pakistan can introduce digital zakat payments through banks, mobile wallets, and salary deductions. This reduces corruption and makes the process transparent.

3. Better Targeting

Zakat can be used not just as charity, but also for:

- skill training
- small business loans
- scholarships
- health insurance
- emergency relief

This makes the poor more financially stable.

4. Updated Laws

The old 1980 zakat law should be updated to define:

- clearer rules
- independent audits
- strong monitoring
- transparent reporting

Benefits of a Modern Zakat System for Pakistan (2025)

1. Quick Help for the Poor

Zakat can provide fast support during inflation, medical emergencies, or disasters. This reduces the pressure on government welfare systems.

2. More Trust Among People

People trust zakat more than taxes because it is morally and religiously established. If the system becomes transparent, public cooperation can increase.

3. Boost to the Economy

When poor families receive money, they spend it on food, clothes, and basic needs. This increases demand and helps small businesses, which boosts economic activity.

4. Less Pressure on Poor People

If zakat supports the poor, the government may reduce certain regressive taxes, which mostly hurt low-income households.

What We Can Learn from Other Countries

Countries like Malaysia have strong zakat institutions that collect and distribute funds professionally. Their system is transparent, efficient, and widely trusted. Pakistan can adopt similar practices while adjusting them to local conditions.

Challenges We Must Not Ignore

No system is perfect. A zakat-based model also has difficulties:

1. Zakat Alone Is Not Enough

Zakat money is helpful for welfare but cannot finance huge national expenses. Taxes will still be needed.

2. Public Sensitivity

Some people may disagree with compulsory zakat collection by the state. So policies must be created carefully.

3. Management Issues

Zakat boards need professional staff, digital systems, and strict monitoring to stop corruption.

4. Double Burden Concerns

People might feel pressured to pay both zakat and taxes unless the roles of each system are clearly explained.

Steps to Implement a Strong Zakat-Based Welfare Model

1. Full Audit

Review the current zakat system: how much is collected, how it is spent, and where the weaknesses are.

2. Digital Portal

A single online portal for zakat collection and distribution. It should show public reports openly.

3. Pilot Projects

Test the improved zakat model in a few areas (for example, flood-affected regions or urban slums) and then expand it.

4. Updated Zakat Laws

Modern laws with clearer guidelines, fair eligibility rules, accountability mechanisms, and stronger monitoring.

5. Coordination with Government Welfare Programs

Zakat funds can work together with programs like BISP (Benazir Income Support Program) to avoid duplication and reach more families.

6. Public Awareness

Religious scholars, civil society, and media can help build trust by explaining the new system.

Tax Reforms Still Matter

Even if zakat becomes strong, Pakistan will still need a better tax system. For a stable national budget, the government must:

- reduce regressive indirect taxes
- improve tax collection
- stop loopholes
- increase direct taxes on high-income groups

Only then can Pakistan reduce pressure on ordinary people.

Monitoring and Accountability

The success of this model depends on trust. So Pakistan must ensure:

- public dashboards
- quarterly reports
- independent audits
- strict action against misuse
- community-level monitoring committees

These steps will increase transparency and reduce corruption.

Conclusion

Pakistan in 2025 is standing at a critical point. Poverty, rising prices, climate shocks, and economic instability demand a stronger welfare system. Zakat has the power to support justice, reduce inequality, and protect the vulnerable if managed properly.

But zakat cannot replace taxes entirely. The best solution is a balanced, modern, transparent, and well-managed system where:

- taxes fund national development
- zakat supports poverty reduction and welfare

With auditing, digital systems, legal reforms, and public trust, Pakistan can build a fair, humane, and sustainable economic model that reduces exploitation and promotes justice for all.