



Topic:

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

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Introduction:

In numerous developing nations, citizens frequently confront the severe implications of an exploitative taxation framework. Although individuals incur substantial taxes on income, purchases, and services, they seldom observe enhancements in public infrastructure, healthcare, or education. The belief that taxation primarily advantages the affluent while imposing greater burdens on ordinary citizens has generated widespread frustration and eroded trust in government institutions. This issue is particularly severe in countries such as Pakistan. The youth, in particular, perceive a sense of alienation within a system that appears unjust and disconnected from ethical principles.

Islamic economic principles represent a valuable approach. Zakat is frequently regarded merely as individual charity; however, it is fundamentally a systematic financial mechanism designed to equitably redistribute wealth, foster public welfare, and uphold social justice (Chapra, 1992). A zakat-based financial framework offers the potential to replace exploitative taxation with a model that is both morally defensible and economically effective. This essay explores how such a

system can reduce inequality, foster economic development, guarantee welfare for all citizens, and restore trust in public institutions.

The Problem with Exploitative Taxation

Regressive Impact on Citizens

Most taxation frameworks tend to exacerbate the issues involved. Indirect taxes, such as sales tax, fuel tax, and service fees, disproportionately affect low- and middle-income households, as these families allocate a larger portion of their income to purchases. Simultaneously, affluent individuals and corporations frequently exploit legal exemptions to reduce their tax liabilities. Consequently, those with the fewest financial resources tend to contribute the most (World Bank, 2020).

This disparity exacerbates the divide between the wealthy and the impoverished. Ordinary individuals perceive themselves as overwhelmed with responsibilities, while the wealthy continue to accumulate wealth without contributing their equitable share. This form of inequality undermines social cohesion and fosters public discontent with the government, thereby eroding the fundamental stability of a functioning economy.

Erosion of public confidence

Any taxation framework requires a foundation of trust to function effectively. Individuals who fulfil their tax obligations often contemplate whether their contributions are being allocated effectively, particularly when observing roads in need of repair, schools lacking sufficient funding, or institutions facing resource shortages. The World Bank (2020) states that a lack of public trust in the government correlates with a decreased likelihood of fulfilling tax obligations. This results in a cycle of diminished revenue, increased borrowing, and further regressive taxation.

Even well-intentioned fiscal policies will prove ineffective if public trust is lacking. Individuals begin to perceive the system as compelling them to act rather than fostering collaboration, thereby widening the divide between government and society.

Moral Disconnect

Numerous modern tax systems operate independently of ethical considerations. Individuals comply with instructions out of obligation rather than personal conviction of their correctness. Islamic economics, alternatively, integrates ethical principles with financial matters. Individuals do not merely regard paying taxes and distributing wealth as obligations; they also perceive them as moral duties. Individuals perceive exploitation and unjust treatment when contemporary systems lack this ethical component.

Zakat: An Ethical and Beneficial Choice

Zakat is not just a charitable act; it is a formal financial duty with clear rules, specific beneficiaries, and social goals. The Qur'an enumerates eight categories of individuals who are eligible to receive zakat (Qur'an 9:60). This approach ensures that it reaches individuals who are impoverished, in need, indebted, or otherwise vulnerable. This focused approach renders zakat a more effective and ethical means of assistance compared to contemporary taxation.

Distribution with Dignity

Zakat is a mandatory moral obligation rooted in religious principles, distinguished from regular taxes, which may be perceived as punitive or coercive. Its objective is to prevent the excessive concentration of wealth among a limited number of individuals while also ensuring that those in need receive assistance. Zakat preserves the sanctity of both the donor and the recipient by fostering a just culture of giving.

Stability and flexibility.

Zakat is calculated as a percentage of one's net wealth, rather than income or expenditure. This ensures that collections adapt organically in response to the economic conditions. When the economy performs well, zakat revenues increase; conversely, during economic downturns, contributions decline by a similar margin (Kahf, 1999). This type of flexibility provides a stable yet adaptable mechanism for the government to generate revenue.

Assisting Individuals in Overcoming Poverty and Enhancing Social Welfare

The experiences of countries with structured zakat systems, such as Malaysia and Sudan, demonstrate that effective administration of zakat can significantly reduce poverty and provide targeted social assistance (Hassan & Noor, 2015). When funds are allocated judiciously, zakat can support healthcare, education, interest-free loans, and emergency aid, achieving outcomes comparable to or exceeding those of contemporary welfare initiatives.

Transitioning to a Financial System Rooted in Zakat

Replacing all forms of taxation with zakat is neither straightforward nor expedient. However, gradual transformation is achievable and can yield significant advantages.

1. Allocating Zakat to the National Budget

A national zakat fund managed by professionals could finance essential public services such as healthcare, education, and social welfare programs. The state could enhance the equity of the system for its citizens by optimising the utilisation of zakat resources, thereby reducing dependence on indirect taxes. This integration would also foster autonomous adherence to the rules, as individuals would acknowledge the equitable utilisation of their contributions.

2. Reducing Borrowing Due to Interest Considerations

Contemporary governments often rely on interest-bearing loans, which unjustly transfer wealth from ordinary citizens to financial institutions. A zakat-based framework, complemented by interest-free instruments such as sukuk, has the potential to maintain the financial stability of the country without increasing its debt burden (El-Gamal, 2006). This approach ensures that public finance adheres to ethical principles while maintaining economic stability.

2. 3. Facilitating the process of corporate contributions

Businesses are now required to remit substantial taxes, including corporate tax, sales tax, and various regulatory fees. A zakat-based framework could substitute these with a uniform, fixed percentage of net assets that is straightforward to comprehend. This approach facilitates operations for businesses, promotes compliance among individuals, and enhances the overall environment for commerce. This, in turn, promotes investment, entrepreneurship, and employment opportunities.

4. Promoting Voluntary Adherence

The ethical foundation of zakat is among its most commendable attributes. Research indicates that systems regarded as ethical and equitable promote greater compliance compared to those based on fear of sanctions (Gächter & Schulz, 2016). When individuals perceive contributions as a moral obligation rather than an obligation, they engage voluntarily, thereby enhancing revenue and fostering social unity.

Direct Advantages for Citizens:

Lower Living Costs

Indirect taxes, especially on basic necessities such as fuel, electricity, and food, play a substantial role in driving inflation. By reducing these taxes and utilising zakat to fund services, governments can decrease prices, thereby assisting ordinary families with their financial difficulties. This promptly enhances purchasing capacity and overall quality of life.

Enhanced Public Services

Funds gathered through zakat may be allocated transparently to healthcare, education, and social welfare. Unlike traditional taxes, which are frequently subject to misallocation, a professionally administered zakat system guarantees that funds are directed to those in greatest need. Enhanced public services strengthen social trust and promote increased

engagement in ethical financial systems.

Assistance for Business Owners

Zakat funds can support small enterprises and aspiring entrepreneurs by providing interest-free loans or capital grants. This approach not only alleviates destitution but also fosters self-sufficiency and economic empowerment. By empowering individuals to generate their own income, zakat transforms society from reliance to active engagement in the economy.

Obstacles and Corresponding Remedies

Institutional Competence

Operating a nationwide zakat system requires competent personnel, advanced technology, and effective management. A hybrid approach that integrates government supervision with independent Islamic finance specialists can promote both efficiency and accountability.

Establishing Public Confidence

Distrust presents a significant barrier. Transparency measures—such as publicly accessible audits, comprehensive annual reports, and digital monitoring of funds—are vital to restoring trust. Individuals are more inclined to adhere to regulations when they observe tangible outcomes.

Adapting to Contemporary Requirements

Unemployment, inflation, and technological advancements are all economic challenges that necessitate the continual updating of zakat policies. Collaboration among scholars, economists, and policymakers can establish guidelines that uphold Islamic principles while effectively addressing current societal challenges.

conclusion

The abolition of unjust taxation is both a moral obligation and an economic imperative.

Tax systems currently impose unjust burdens on the disadvantaged, undermine public confidence, and fail to promote equitable wealth redistribution effectively. A zakat-based system, grounded in moral principles and social responsibility, presents a viable alternative that benefits all parties and fosters fairness, economic development, and social well-being.

Zakat has the potential to transform society by fostering equitable wealth redistribution, funding public services, and stimulating economic activity. Individuals regain their dignity, confidence in institutions is restored, and the economy becomes more accessible to all. To establish such a system, the government, scholars, and citizens must collaboratively cooperate, transparently share their plans, and demonstrate a willingness to work collectively. The advantages, by contrast, are substantial: reduced inequality, improved social welfare, and sustained long-term growth.

A future founded on zakat would not only diminish poverty but also foster an economy rooted in ethical principles, integrating morality and prosperity. Young thinkers and policymakers can leverage this vision to reevaluate the government's approach to financial management in a manner that genuinely benefits all.