ARTICLE ON:

ENDING EXPLOITATIVE TAXATION

(A Zakat-Based System for Justice, Economic Growth, and Welfare for All)

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ABSTRACT

This Article examines the potential of ***zakat***, the Qur'anic fiscal institution, as a comprehensive alternative to exploitative modern taxation in Pakistan. Modern taxation often disproportionately burdens low- and middle-income groups while enabling wealth concentration among the elite, creating systemic inequities that conflict with Islamic principles of justice and fairness. In contrast, zakat, as both a religious obligation and a socio-economic mechanism, ensures equitable wealth redistribution, economic growth, and social welfare. Drawing on ***Qur'anic injunctions, Prophetic practice, classical juristic thought, modern scholarship on maqāṣid al-sharīʿah, empirical evidence, and judicial rulings in Pakistan***, this paper demonstrates that zakat offers a practical, transparent, and welfare-oriented fiscal framework capable of protecting citizens from oppression and poverty.

Empirical studies from Pakistan indicate that properly administered zakat reduces poverty, enhances social welfare, and stimulates economic activity, though challenges remain in governance, targeting, and policy integration. Judicial pronouncements further reinforce zakat's legal enforceability while restricting exploitative taxation inconsistent with Islamic teachings. A comparative analysis highlights that, unlike conventional taxation, zakat directly targets wealth above the nisab, promotes accountability, and safeguards vulnerable populations.

The study concludes that adopting a ***zakat-based fiscal system*** is not merely a religious aspiration but a policy imperative for Pakistan. Institutionalizing zakat with clear governance mechanisms, digital monitoring, and integration with broader social welfare initiatives can reduce inequality, foster sustainable economic growth, and establish a social safety net aligned with both divine guidance and constitutional principles. By reviving zakat in its true spirit, Pakistan can create a just, transparent, and prosperous society where law, ethics, and economics converge.

KEYWORDS

Zakat, Exploitative taxation, Islamic finance, Qur'an and Sunnah, Shariah law, Economic justice, Wealth redistribution, Social welfare, Pakistan Supreme Court, Sahib-e-nisab, Bayt al-Māl, Poverty alleviation, Maqāṣid al-Sharīʿah, Fiscal policy, Islamic jurisprudence Pakistan Zakat System, Governance and Transparency, Constitutional Law Pakistan, Sunnah and Prophetic Guidance, Classical Jurists (Fiqh), Economic Policy in Islam, Social Equity, Institutional Zakat, Legal Framework, Public Welfare, Sustainable Growth

1. INTRODUCTION AND LITERATURE REVIEW

1.1 INTRODUCTION

Modern nation-states often rely heavily on taxation as their primary source of revenue. However, in many contexts, taxation has become exploitative, disproportionately burdening the poor and middle classes while protecting the wealthy through loopholes and exemptions. This raises important legal and moral questions for Muslim societies:

- ✓ *Is taxation beyond zakat permissible under Islamic law?*
- ✓ *What is the legal distinction between legitimate state levies and exploitative taxes?*
- ✓ *Can zakat, as a Qur'anic institution, serve as a sufficient and just alternative to modern taxation?*
- ✓ *How did the Prophet Muhammad ﷺ and the Rightly Guided Caliphs regulate financial obligations without exploitation?*

The Qur'an explicitly emphasizes justice and fairness in wealth distribution, declaring:

"Indeed, Allah commands you to hand over whatever you hold in trust to their owners, and this; that whatever you judge between two people, so judge with justice."

إِنَّ اللّٰہَ یَاۡمُرُکُمۡ اَنۡ تُؤَدُّوا الۡاَمٰنٰتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُم بَيْنَ النَّاسِ أَن تَحْكُمُوا بِالْعَدْلِ.[1]

This verse lays the foundation for understanding the moral obligations of governance, including taxation and redistribution policies. Similarly, the Prophet ﷺ warned against exploitative tax collection:

"One who wrongfully takes an extra tax (sahib maks) will not enter Paradise."

لاَ يَدْخُلُ الْجَنَّةَ صَاحِبُ مَكْسٍ "[2]

These texts highlight that any system of wealth collection by the state must prioritize justice, fairness, and public welfare, avoiding exploitation and oppression.

In light of these foundational principles, this paper investigates whether a zakat-based system can effectively replace exploitative taxation while ensuring both justice and economic prosperity.

1.2 LITERATURE REVIEW

1.2.1 QURANIC FOUNDATION OF ZAKAT

The Qur'an repeatedly emphasizes zakat as a divinely mandated financial duty, inseparable from ṣalāh (prayer). Zakat is not presented as a voluntary charity but as a compulsory obligation and one of the pillars of Islam. It represents both spiritual purification and an economic mechanism for redistribution.

Allah says:

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[1] Qur'an 4:58, Kanz-ul-Iman

[2] Sunan Abī Dāwūd, Hadith 2937

"And keep Salah established and pay Zakah, and whatever good you shall send ahead for yourselves, you shall find it (all) with Allah; undoubtedly, Allah is observing your deeds. "

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ ۚ وَمَا تُقَدِّمُوا لِأَنْفُسِكُمْ مِنْ خَيْرٍ تَجِدُوهُ عِنْدَ

اللَّهِ ۗ إِنَّ اللَّهَ بِمَا تَعْمَلُونَ بَصِيرٌ [3]

This verse connects prayer and zakat as dual pillars of faith one regulating spiritual life, the other regulating socio-economic justice.

The Qur'an also outlines in detail the specific categories of zakat distribution:

"Zakat is only for the poor, the destitute, the collector appointed for it, those whose hearts are to be reached with the love of Islam, the freeing of a slave, debtors, those in the way of Allah, and the wayfarer. A decree from Allah; and Allah is All-Knowing Most Wise."

اِنَّمَا الصَّدَقٰتُ لِلْفُقَرَآءِ وَ الْمَسٰكِیْنِ وَ الْعٰمِلِیْنَ عَلَیْهَا وَ الْمُؤَلَّفَةِ قُلُوْبُهُمْ وَ فِی الرِّقَابِ

وَ الْغٰرِمِیْنَ وَ فِیْ سَبِیْلِ اللّٰهِ وَ ابْنِ السَّبِیْلِؕ فَرِیْضَةً مِّنَ اللّٰهِؕ وَ اللّٰهُ عَلِیْمٌ حَكِیْمٌ [4]

This explicit allocation framework is unique compared to modern taxation, where collected revenues are often subject to political discretion, corruption, or elite capture. In contrast, zakat ensures that funds are directed to social welfare and the alleviation of inequality.

Legal scholars emphasize that zakat serves as a ***permanent fiscal institution***, not a temporary relief fund. ***QARADAWI (1999)*** argues that zakat is not simply charity but a ***state obligation*** when properly institutionalized, intended to ensure economic justice and prevent the concentration of wealth in the hands of a few. This interpretation directly aligns with the Qur'anic principle:

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[3] Qur'an 2:110,Kanz-ul-Iman

[4] Qur'an 9:60, Kanz-ul-Irfan

"...so that wealth does not only circulate between the rich among you."

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ [5]

Thus, zakat provides a structured, transparent, and just alternative to exploitative taxation, fulfilling the state's responsibility of redistribution without burdening citizens unjustly.

1.2.2 PROPHETIC PRACTICE AND HADITH ON JUST TAXATION

The Sunnah of the Prophet Muhammad ﷺ offers crucial guidance on fiscal justice. Unlike modern taxation systems, which can impose arbitrary and exploitative burdens, the Prophet ﷺ strictly forbade unjust levies while institutionalizing zakat as a central pillar of governance.

One of the strongest warnings against exploitative taxation comes in the ***Hadith***:

"One who wrongfully takes an extra tax (sahib maks) will not enter Paradise."

لاَ يَدْخُلُ الْجَنَّةَ صَاحِبُ مَكْسٍ [6]

Here, the term *maks* refers to unlawful duties or levies imposed beyond the scope of Sharīʿah. Classical scholars considered such practices as sinful exploitation of citizens.

The Prophet ﷺ himself personally supervised zakat collection, ensuring fairness, transparency, and non-oppression. In a well-documented hadith, he sent Muʿādh ibn Jabal to Yemen with specific instructions:

[5] Qur'an 59:7, Kanz-ul-Irfan

[6] Sunan Abī Dāwūd, Hadith 2937

"You are going to a people from the People of the Book. Call them to testify that none has the right to be worshipped but Allah and that I am the Messenger of Allah. If they obey you in that, then teach them that Allah has enjoined upon them five prayers every day and night. If they obey you in that, then teach them that Allah has made it obligatory for them to pay the zakat from their wealth, to be taken from their rich and given to their poor."

فَإِنْ هُمْ أَطَاعُوا لِذَٰلِكَ فَأَعْلِمْهُمْ أَنَّ اللَّهَ افْتَرَضَ عَلَيْهِمْ صَدَقَةً فِي أَمْوَالِهِمْ، تُؤْخَذُ مِنْ أَغْنِيَائِهِمْ وَتُرَدُّ عَلَى فُقَرَائِهِمْ [7]

This narration highlights ***three critical principles***:

- ✓ *Zakat is obligatory, not voluntary.*
- ✓ *It is collected systematically by the state.*
- ✓ *Its distribution is directly targeted at the poor.*

Furthermore, the Prophet ﷺ prohibited tax collection that created hardship. In another narration, he said:

"Do not impose on people except what they can bear, and do not take their best property."[8]

This safeguards individuals from the kind of exploitative taxation often observed in modern contexts, where excessive levies force individuals into debt or poverty.

The Prophetic model establishes a fiscal system based on justice, moderation, and compassion—one where wealth is redistributed without exploitation, ensuring both the economic sustainability of the state and the welfare of society.

[7] Sahih al-Bukhari 1395

[8] Ṣaḥīḥ Muslim, Hadith 1832

1.2.3 JURISTIC PERSPECTIVES ON TAXATION AND ZAKAT

Islamic jurists (*fuqahāʾ*) addressed the question of taxation extensively, particularly concerning whether rulers may impose taxes beyond zakat. Their discussions provide a framework for distinguishing legitimate state levies from exploitative burdens.

A. CONSENSUS ON ZAKAT AS A PERMANENT OBLIGATION

All ***FOUR SUNNI SCHOOLS OF LAW*** agree that zakat is a ***fixed obligation*** and cannot be substituted by other forms of taxation. According to ***IMAM AL-MĀWARDĪ (1985)***, zakat is a divinely mandated institution, and rulers are obliged to organize its collection and distribution. Any negligence by the state constitutes a breach of Sharīʿah.

QARADAWI (1999) emphasizes that zakat represents the ***minimum financial duty*** upon Muslims; beyond this, rulers cannot arbitrarily demand wealth unless facing extraordinary circumstances.

B.EXCEPTIONAL ALLOWANCE OF TEMPORARY TAXES

Some jurists, including ***IBN TAYMIYYAH***, permitted the imposition of temporary levies if the *Bayt al-Māl* (public treasury) was insufficient to meet urgent public needs, such as defense. He wrote:

> *"If the state's resources are insufficient for the fulfillment of its duties, then it is obligatory upon the wealthy to contribute what is required, but this should end once the need is fulfilled."*[9]

Thus, while taxation beyond zakat may be tolerated under necessity, it cannot become a permanent or exploitative system.

C. PROHIBITION OF OPPRESSIVE TAXES

The majority of jurists strictly forbade exploitative levies, identifying them as *maks*, which the Prophet ﷺ condemned. ***AL-QURṬUBĪ (2006)*** noted in his *Tafsīr* that unjust

[9] Ibn Taymiyyah, 1995, Vol. 28, p. 530

taxes resemble usurpation (*ghasb*) of people's wealth, and rulers who enforce them are sinful.

This aligns with the hadith mentioned earlier:

> *"One who wrongfully takes an extra tax (sahib maks) will not enter Paradise."*[10]

D. THE MAQĀṢID AL-SHARĪʿAH PERSPECTIVE

Modern scholars such as ***CHAPRA (2008)*** and ***KAHF (1999)*** interpret zakat within the framework of *maqāṣid al-sharīʿah* (objectives of Islamic law). They argue that zakat fulfills ***three objectives*** simultaneously:

- ✓ **Justice** – preventing wealth concentration.
- ✓ **Growth** – stimulating consumption and circulation of wealth.
- ✓ **Welfare** – safeguarding vulnerable groups.

From this perspective, zakat provides a sufficient fiscal mechanism that should replace exploitative taxation.

1.2.4 ECONOMIC AND SOCIAL IMPLICATIONS OF A ZAKAT-BASED SYSTEM

The zakat system, when implemented in its true spirit, is not only a religious obligation but also an economic policy with profound implications for justice, growth, and welfare. Unlike exploitative taxation, which often fuels inequality and discontent, zakat generates stability, equity, and prosperity.

A. ENSURING JUSTICE AND EQUITY

The Qur'an emphasizes that wealth should not remain concentrated among the wealthy:

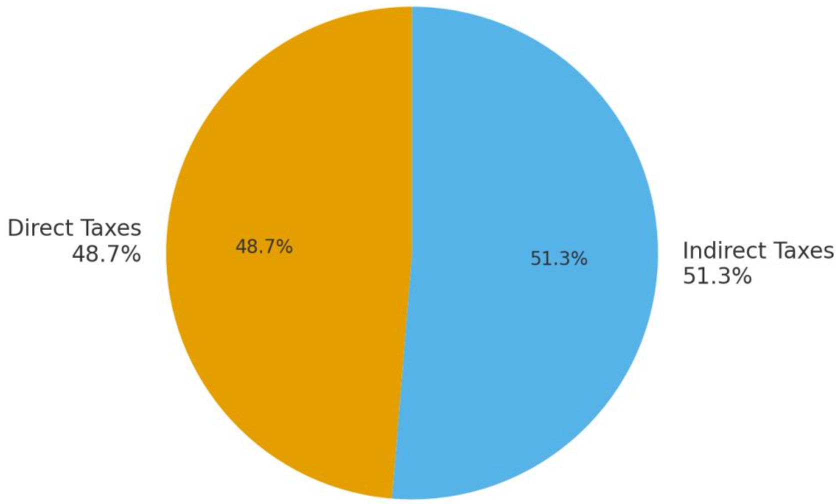
[10] Sunan Abī Dāwūd, Hadith 2937

"...so that wealth does not only circulate between the rich among you."

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ [11]

By mandating redistribution to specific categories, zakat prevents systemic inequality. Modern taxation systems, however, often disproportionately burden the lower classes while the elite exploit loopholes, creating economic injustice.

CHAPRA (2008) argues that zakat ensures a ***balance between individual freedom and collective welfare*** citizens retain ownership of wealth but remain responsible to society. This balance is absent in exploitative taxation models where citizens' wealth can be arbitrarily seized.



B. PROMOTING ECONOMIC GROWTH

Zakat stimulates economic activity by **circulating idle wealth**. Wealth that might otherwise remain hoarded is redistributed to the needy, who spend it on essential goods, thereby boosting demand and production.

The Prophet ﷺ said:

[11] Qur'an 59:7, Kanz-ul-Irfan

"Protect your wealth by paying zakat, heal your sick by giving charity, and prepare yourselves for calamities by supplication."[12]

This highlights zakat as not only a religious obligation but also an economic safeguard. Mannan (1986) notes that zakat counteracts the stagnation of capital and ensures a healthier flow of money across all strata of society.

C. ENHANCING WELFARE AND REDUCING POVERTY

The Qur'an specifies that zakat must reach the poor, indebted, and vulnerable[13]. This institutionalizes ***social security*** centuries before the modern welfare state. Unlike many tax systems, where revenues are consumed by military expenditures or elite projects, zakat directly targets human welfare.

Studies ***(KAHF, 1999)*** suggest that if zakat were implemented systematically in contemporary Muslim-majority countries, poverty could be drastically reduced or even eliminated. This is because zakat ensures ***localized redistribution*** resources are collected from the rich within a community and distributed to its poor, minimizing bureaucratic inefficiency.

D. BUILDING TRUST AND REDUCING CORRUPTION

Exploitative taxation often erodes trust between citizens and the state, especially when funds are misused. Zakat, by contrast, is divinely mandated and transparent, reducing opportunities for corruption. Historical accounts show that during Caliph ***ʿUMAR IBN ʿABD AL-ʿAZĪZ***'s reign, zakat was so effectively implemented that officials reportedly struggled to find eligible recipients of charity.

This model demonstrates that zakat fosters a ***trust-based social contract*** between rulers and the ruled, unlike coercive taxation, which often fuels resentment and evasion.

[12] Sunan al-Bayhaqī, Hadith 7442

[13] Qur'an 9:60

1.2.5 CONSTITUTIONAL & JUDICIAL FOUNDATION IN PAKISTAN

The Constitution of Pakistan (1973) recognizes zakat as both a religious obligation and a fiscal tool. ***Article 31*** commits the State to align Muslim life with the Qur'an and Sunnah, while ***Article 227*** requires laws to conform to Islamic injunctions.

In ***Qazalbash Waqf v. Chief Land Commissioner (PLD 1990 SC 99)***[14], the Supreme Court's Shariat Appellate Bench held that fiscal and economic laws must reflect the maqāsid al-sharīʿah, stressing justice and welfare, and rejecting exploitative taxation.

Citing **Qur'an 9:60**, the Court highlighted zakat's designated beneficiaries the poor, needy, collectors, debtors, captives, travelers, and others affirming it as a divinely mandated system of social welfare. Consequently, Pakistan's taxation framework must align with these principles and avoid arbitrary burdens on citizens.

A.EMPIRICAL RESEARCH EVIDENCE FROM PAKISTAN

Modern empirical research also affirms that zakat is not only a spiritual obligation but also a viable fiscal instrument:

✓ ***Ali & Khakwani (2019)*** [15]

Using an ARDL (Autoregressive Distributed Lag) cointegration approach over 1981–2014, they find a negative (inverse) long-run relationship between zakat collection and poverty: higher zakat collection is associated with lower poverty.

1. They also find short-run dynamics consistent with poverty reduction.
2. Their model includes inflation, population, child labor, etc., as controls.
3. They conclude that "poverty in the long run can be reduced by proper implementation of zakat system."

✓ ***Hasan & Ali (2019)***

Their paper, "The Impact of Zakah Transfer on Multidimensional Poverty (The Case of Pakistan)", employs an impact-evaluation framework using PSLM / HIES (2013–14) survey data.

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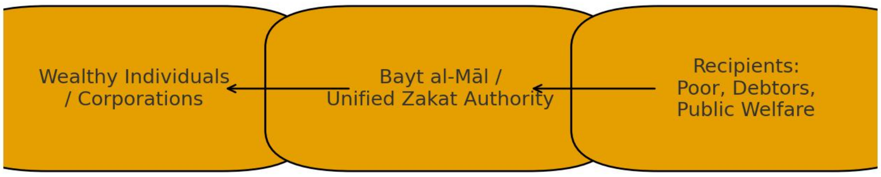
[14] https://sahsol.lums.edu.pk/

[15] https://doaj.org/article/ea0aaea39e2c4854b03b4371265b25b3?utm

1. They find that zakat transfers are effective in reducing income poverty (monetary deprivation). [16]
2. However, the impact on multidimensional poverty (education, health, housing, living standards) is limited, mainly due to weak targeting, leakages, and incomplete coverage. [17]
3. The study cautions that observational data and nonexperimental design limit causal interpretation.

✓ ***World Bank (2021)*** data further reveal that integrating zakat into existing social safety nets could enhance coverage and efficiency, reducing administrative overlap and increasing beneficiary trust. The potential of zakat as a fiscal instrument is particularly notable given the high informal economy in Pakistan, which conventional taxes struggle to capture (SBP, 2022).



B. JUDICIAL CASE STUDIES ON ZAKAT IN PAKISTAN

The Supreme Court of Pakistan has on multiple occasions clarified the scope of zakat liability for modern institutions.

In ***Pakistan Telecommunication Employees Trust v. Federation of Pakistan (Civil Appeal No. 1352/2013, decided 4 Aug 2017)***[18], the Court held that a pension trust could be treated as *sahib-e-nisab* and therefore subject to compulsory zakat under the Zakat and Ushr Ordinance, 1980. The bench, led by Chief Justice Saqib Nisar, emphasized that statutory vesting of pension assets made them the Trust's assets for zakat purposes, and rejected claims of double deduction. This case establishes that

[16] https://www.researchgate.net/publication/337294957_The_Impact_of_Zakah_Transfer_on_Multidimensional_Poverty_The_Case_of_Pakistan

[17] https://jibm.org/wp-content/uploads/2019/10/6.pdf

[18] https://scp.gov.pk/files/judgments/C.A._1352_2013.pdf

contemporary financial vehicles such as corporate trusts are liable when they meet statutory thresholds, affirming the enforceability of zakat in modern institutional contexts.

Similarly, in ***Administrator General Zakat v. Pakistan Insurance Corporation (PLD 2016 SC 468)***[19], the Supreme Court addressed whether wholly government-owned corporations are exempt from zakat liability. The Court confirmed that such entities fall outside the statutory definition of *sahib-e-nisab*, but highlighted the need for legislative clarity to prevent inconsistent exemptions and abuse. Scholars note that this precedent provides doctrinal guidance for designing future zakat regimes, ensuring that redistributive purposes are not weakened by loopholes or arbitrary claims of immunity.

Together, these rulings underscore that Pakistan's judiciary not only upholds compulsory zakat but also develops principles to guide its application in complex financial settings. They serve as anchors for policymakers envisioning a modern Bayt al-Māl or Unified Zakat Authority grounded in both Sharīʿah and statutory law.

2. CRITICAL ANALYSIS OF FISCAL JUSTICE AND ZAKAT GOVERNANCE IN PAKISTAN

[19] https://journals.umt.edu.pk/index.php/lpr/article/view/4952

Fiscal justice forms the backbone of any just economic order. In Muslim societies, the notion of fiscal justice cannot be divorced from the principles of the Sharīʿah, which emphasize balance ***(iʿtidāl)***, equity ***(ʿadl)***, and welfare ***(maṣlaḥah ʿāmmah)***. The economic vision of Islam rejects exploitative accumulation and instead mandates the circulation of wealth through divinely ordained mechanisms such as *zakāt*, *ʿushr*, and *ṣadaqāt*.

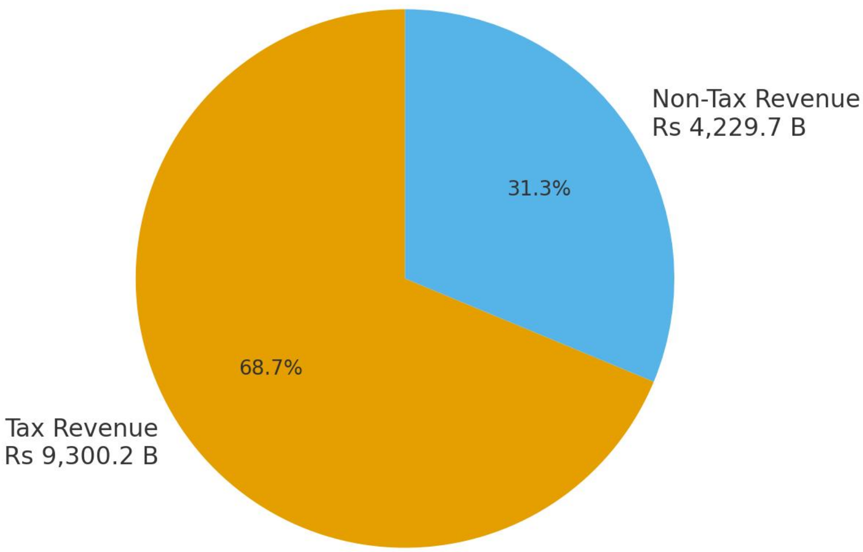
In Pakistan, created with the vision of establishing a polity governed by Islamic principles this ideal remains unrealized. Modern taxation, inherited from colonial structures, continues to dominate the fiscal landscape, perpetuating systemic inequity and public mistrust.

This chapter critically analyzes Pakistan's fiscal order in light of the Sharīʿah framework, with particular reference to ***IMRAN AHSAN KHAN NYAZEE'S*** *Sharīʿah Bill of Rights for the New Millennium: A Bill of Rights Based Upon the Sharīʿah for Securing the Rights of the Poor People of Pakistan in Particular, and those of the Whole Ummah in General.* Nyazee's framework transforms fiscal ethics from a matter of administrative discretion into a domain of enforceable legal rights, obligating the state to guarantee the economic security of its citizens.

2.1 FISCAL INJUSTICE IN PAKISTAN

Pakistan's fiscal system demonstrates persistent inequalities that disproportionately affect low- and middle-income groups. High reliance on indirect taxes, such as sales and excise duties, amplifies the burden on poorer households while wealthier individuals often exploit exemptions and loopholes ***(FBR, 2023)***. Studies by Nyazee (2019) and the ***World Bank (2021)*** indicate that regressive taxation undermines social cohesion and exacerbates income disparities. This imbalance is particularly stark when compared to Shariah principles, which prioritize justice and equitable distribution.[20]

[20] Al-Qurʾān, 4:29; Sahih Bukhari, Hadith 2071



The State Bank of Pakistan (***SBP, 2022***)[21] highlights that informal economic activities escape taxation, further straining the formal system. IMF reports[22] (***2020***) suggest that only 0.6% of Pakistan's population contributes the majority of income tax, leaving the system both inequitable and inefficient. This structural inequity fosters fiscal injustice and diminishes trust in government institutions.

2.2 LEGAL AND INSTITUTIONAL FRAMEWORK

Pakistan's ***Zakat and Ushr Ordinance (1980)*** establishes the statutory foundation for zakat collection. Key features include:

1. Compulsory collection from savings, gold, silver, and business assets.
2. Administration under the Federal Zakat Council and provincial committees.
3. Allocation across eight categories as outlined in the Qur'ān (9:60).

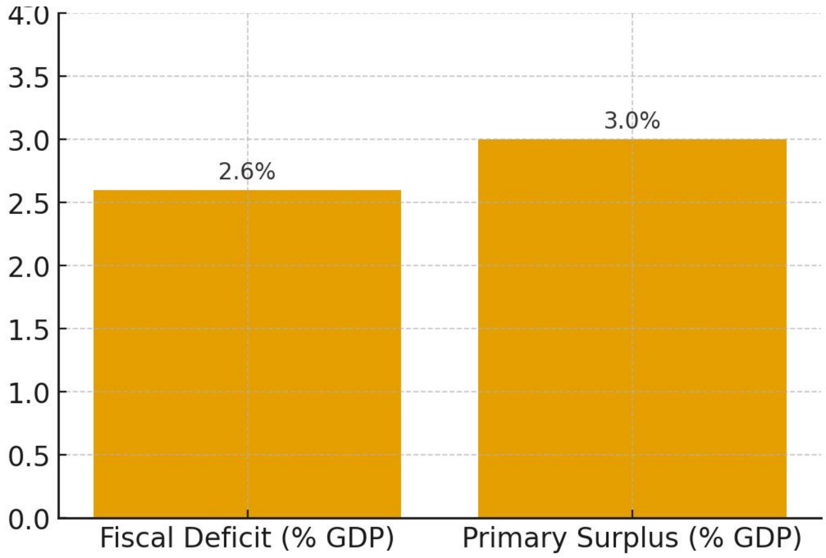
Despite the legal framework, governance challenges persist. Reports by the ***PES (2021)***[23] highlight inefficiencies, misallocation, and lack of transparency in

[21] https://www.sbp.org.pk/reports/annual/aarFY23/

[22] https://www.elibrary.imf.org/downloadpdf/view/journals/002/2020/114/002.2020

[23] https://finance.gov.pk/survey/chapter_24/Highlights.pdf

distribution. Centralized administration has led to bureaucratic delays, reducing responsiveness to local needs . Sunnah emphasizes that effective wealth redistribution should directly reach beneficiaries, a principle often underutilized in the current system.[24]



2.3 Comparative Analysis: Zakat vs. Conventional Taxation

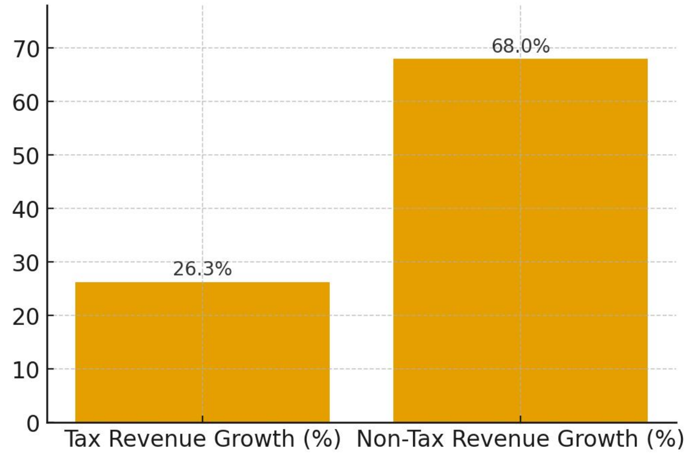
A comparative framework demonstrates the ethical and practical advantages of zakat over conventional taxation in Pakistan:

Features	**Conventionsl Taxation**	**Zakat**
Basis	Income consumption	Wealth above nisab
Target	All taxpayers	Wealth only
Purpose	Revenue generation	Poverty alleviation & Purification
Enforcement	Compulsory via law	Religious & legal obligation

[24] Sahih Muslim Hadith 1002

Transparency	Limited	Potentially high with proper governnce

Analysis by ***Qureshi (2020)***[25] and ***IMF (2020)***[26] indicate that zakat aligns more closely with social justice objectives, ensuring direct support to those in need without overburdening the general population. Conversely, Pakistan's conventional tax system remains regressive and underperforming, limiting its capacity for equitable wealth redistribution.



2.4 CHALLENGES IN ZAKAT GOVERNANCE

Despite its potential, several challenges limit zakat's effectiveness:

- ✓ **Public Awareness:** Many citizens are unaware of their zakat obligations or the avenues for proper contribution.

- ✓ **Monitoring and Evaluation:** Limited auditing and reporting reduce accountability, creating room for mismanagement ***(Rehman, 2020)***.
- ✓ **Integration with Policy:** Zakat is often isolated from broader fiscal and social welfare policies, reducing scalability and systemic impact ***(PES, 2021)***.

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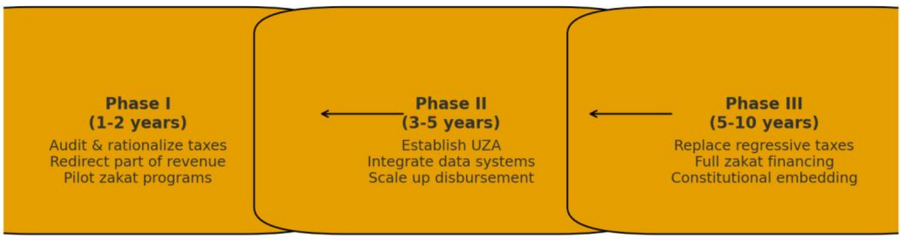
25 https://www.emerald.com/insight/content/doi/10.1108/IMEFM-03-2020-0134/full/html

26 https://www.elibrary.imf.org/downloadpdf/view/journals/002/2020/114/002.2020

Policy recommendations include decentralizing administration to local committees, employing digital reporting tools for transparency, and integrating zakat within national development strategies. This would align zakat practice with both Shariah principles and contemporary socio-economic needs.

Criteria	**Modern Taxation**	**Zakat Governance**
Legal Basis	Secular Legislation	Qur'an & Sunnah
Nature	Coercive levy	Religious Obligation
Impact on Poor	Burdensome	Protective
Redistribution	Politically directed	Divinely Mandated
Transparency	Low	High (specified recipients)



CONCLUSION

This study demonstrates that Islam provides a holistic fiscal framework through zakat, designed to secure justice, welfare, and economic prosperity while protecting citizens from exploitation. The Qur'an explicitly prohibits arbitrary burdens on the people and commands rulers to maintain fairness in wealth collection and distribution (*Al-Qurʾān*, 4:29; 9:60). The Sunnah reinforces this principle by institutionalizing zakat as a permanent mechanism and condemning unjust levies (maks) as sinful oppression (Sahih Bukhari, Hadith 2071; Sahih Muslim, Hadith 1002). Together, these sources establish that any fiscal system must prioritize transparency, fairness, and protection of the vulnerable.

Classical jurists unanimously recognized zakat as a divinely mandated obligation, permitting only limited and temporary taxation in times of necessity. They emphasized that permanent or exploitative taxes distort the objectives of Sharīʿah, effectively becoming usurpation of the people's wealth. Modern scholarship interprets zakat within the framework of maqāṣid al-sharīʿah (objectives of Islamic law), showing that it can balance individual rights with collective welfare, stimulate economic circulation, and ensure equitable wealth distribution. Zakat thus functions not only as a spiritual duty but as a practical economic policy tool that aligns morality with governance.

Empirical research in Pakistan provides strong evidence of zakat's socio-economic potential. Studies show that when administered effectively, zakat reduces poverty, enhances social welfare, and stimulates local economic activity. Challenges in targeting, governance, and integration with broader social protection programs do exist, but these can be addressed through improved administration, digital monitoring, and decentralization. Judicial pronouncements—from Qazalbash Waqf (PLD 1990 SC 99) to Pakistan Telecommunication Employees Trust v. Federation of Pakistan (2017) and Administrator General Zakat v. Pakistan Insurance Corporation (PLD 2016 SC 468)—have reinforced zakat's enforceability in modern financial and institutional contexts, while simultaneously restraining exploitative taxation inconsistent with Islamic injunctions.

Transitioning to a zakat-based fiscal system in Pakistan is not only a religious aspiration but a practical policy imperative. Proper institutionalization, including clear governance mechanisms, transparent reporting, and integration with social welfare programs, can ensure that zakat reaches its intended beneficiaries while reducing administrative inefficiency and corruption. Unlike conventional taxation, which often disproportionately burdens the poor and widens inequality, zakat inherently targets wealth above the nisab, promoting fairness and accountability.

In conclusion, zakat provides a comprehensive model where law, ethics, and economics converge. It is capable of replacing exploitative taxation with a system that is just, transparent, and welfare-oriented. For Pakistan, embracing a zakat-based fiscal framework offers an opportunity to reduce inequality, foster sustainable growth, and establish a social safety net that protects the dignity of all citizens. By reviving zakat in its true spirit, the state can create a fairer and more prosperous society, aligning fiscal policy with both divine guidance and constitutional principles.

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