

Ending Exploitative Taxation:

A Zakat-Based Model for Justice and Social Welfare

Benjamin Franklin once said, “*There is nothing certain except death and taxes.*” Yet, for most, taxes arrive more often than death. Every purchase is inflated, every necessity burdened with an extra cost, all for government revenue. Taxes are meant to build and improve roads, schools, and hospitals for all citizens. However, that is not always the case; the lower and middle-income classes frequently pay a significant portion of their earnings, whereas the wealthy can easily evade taxes through loopholes. This raises the question ‘why do the poor citizens often carry the heaviest burden? Is our current tax system truly just, or is there another alternative that has existed for centuries in our faith and beliefs?’

According to the Cambridge Dictionary, tax is defined as “an amount of money paid to the government that is based on your income or the cost of goods or services you have bought.” In theory, this is a system of fairness but, in practice that is not always the case. Indirect taxes, like a general sales tax (GST), take the same amount from everyone regardless of income, meaning a low-income household will pay the same taxes as millionaires when buying basic necessities. Meanwhile, tax evasions and corruptions drain public funds leaving honest taxpayers frustrated. This leads to a system where the burden weighs heaviest on those unable to carry it, while the rich remain unaffected and the public trust in tax evaporates.

A 2022 study in Pakistan confirms this imbalance, concluding that “the indirect tax such as GST has positive statistically noteworthy impacts on income inequality in Pakistan, implying to increase rate of inequality. Thus, indirect taxes widen the gap between rich and poor in Pakistan.”

Perhaps, the solution isn’t to fix a broken system but to rebuild it by turning back to a model that has already stood the test of time. When the current times feel prejudiced, the past often holds the wisdom we have forgotten. Within our faith lies a system that is built on fairness, dignity, and compassion, a system known as Zakat.

One of the five pillars in Islam, Zakat is a mandatory form of wealth distribution designed to ensure justice and compassion in society. Unlike charity, which is voluntary, Zakat is a must. Each year, every individual who possesses wealth above a certain threshold (nisab) must give 2.5% of their savings to those eligible for Zakat. The Qur’an clearly highlights the recipients of Zakat:

“Zakat expenditures are only for the poor and for the needy and for those employed to collect [zakat] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveller - an obligation [imposed] by Allah. And Allah is Knowing and Wise”

(Surah At-Tawbah 9:60).

Through this, poverty and inequality are directly addressed by Zakat. It makes sure that wealth does not remain congregated among the rich, but circulates fairly throughout society and abridges the divide between economic brackets. Zakat isn’t just a hypothetical concept; it has been carried out in our history. Many examples can

be used as evidence to show how it can truly benefit us if applied systematically and sincerely. One of the most notable examples that comes to mind comes from the rule of Caliph Umar ibn Abdul Aziz. From 717 to 720 CE, he reformed governance and emphasized justice, fairness, and the proper distribution of Zakat.

He introduced zakat as a welfare tool established under government control. He emphasized the necessity of distributing it in the same region from where it was received, arguing that the tax was meant “to take from the rich and give to the poor of that area, not to act as a tax collector”. To implement this, he created local zakat agencies that gathered the dues and delivered them directly to those in need in their own districts, avoiding central aggregation. This approach was praised as more efficient and responsive to community needs than any other system.

According to historical records, poverty became so rare under his leadership that officials in some regions could not find anyone eligible to receive Zakat. Ibn Kathir in *Al-Bidayah wa'l-Nihayah* noted that wealth became so abundant and fairly distributed that those who were once dependent on others became self-sufficient, and moreover, government treasuries accounted to have surplus funds.

Prior to that, another remarkable example can be found in the time of Caliph Abu Bakr (RA). Many Arabian tribes in the Peninsula refused to pay zakat after the passing of the beloved Prophet Muhammad (P.B.U.H), claiming it was not necessary anymore. Staying firm on his stance, Abu Bakr (RA) launched a series of military campaigns that declared that zakat was integral in Islam and had to be upheld just as prayer was. He famously stated, “By Allah, if they withhold from me even a rope they used to give to the Messenger of Allah as zakat, I will fight them for it.” This unyielding conviction ensured that the system of wealth redistribution remained unchanged, while preserving zakat as a pillar of faith. He also emphasized that zakat funds should not be used for anything that isn't related to the welfare of the community; he ensured that the collection and distribution of zakat were kept transparent and public. His dedication emphasized that zakat was never meant to be an optional charitable act. In the eyes of the early Muslim community, it was a significant moral and economic obligation without which social equality would cease to exist. His conviction protected the vulnerable, the orphan, and the needy, and allowed wealth to continue its flow as prescribed by Allah.

In the present day, many organizations in Pakistan have put this system into practice. The Central Zakat Fund, established under the Zakat and Ushr Ordinance of 1980, serves as a national guideline to collect and distribute Zakat across the nation. The money goes to health care, education, and financial assistance for the needy. Similarly, other philanthropic organizations, like the Saylani Welfare International Trust and the Edhi Foundation, are utilizing zakat collections to provide food, shelter, education, and medical services to those sections of society that are considered underprivileged areas across the country. Additionally, the Pakistani Government has

started programs like Ehsaas that follow zakat-based principles to improve transparency, financial services, and poverty reduction.

Zakat inhibits the possession of wealth from remaining concentrated in the hands of a few. The Qur'an states:

"...so that it will not circulate only among the rich from among you."

(Surah Al-Hashr 59:7).

Zakat ensures resources reach those most in need by compelling the rich to share a specific portion of their wealth. This circulation will strengthen local economies, reduce reliance on loans and foreign aid. In those societies that rely heavily on indirect taxes, the poor are often trapped in cycles of adversity. A Zakat-based system flips this equation by guaranteeing the poor a rightful share and breaking cycles of generational poverty. Modern studies even estimate that if implemented systematically, billions of dollars could be mobilized annually for welfare.

If zakat funds are collected and dispersed in a systematic fashion, they replace exploitative taxation while managing to self-fund various welfare programs. Zakat yields could be used to provide scholarships, build healthcare facilities, housing projects, and debt relief programs, reducing the reliance on foreign aid and loans, which often burden developing countries with interest and inflation.

An economy based on zakat not only empowers the poor but also fosters a healthier middle class, provides employment, and encourages growth in local businesses while also promoting social harmony. With wealth flowing freely rather than remaining concentrated, the growth of the economy would be more inclusive and comprehensive. Mutual trust and compassion would bind the classes together. In short, Zakat offers a guideline towards justice-driven progress, a system where faith and governance unite to ensure welfare for all.

To conclude, I believe both taxation and Zakat serve important purposes in shaping our societies. While taxes serve as a means to fund state affairs, zakat is a spiritual and economic duty to help those in need. It represents compassion, justice, and the redistribution of wealth as stated in Islam. Together, these systems show that even with worldly governance, moral obligations take precedence by saying that real blessings and prosperity occur when the strong support the weaker members of society. As Nelson Mandela once stated, "Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom." True prosperity arises when justice and compassion are intertwined, when the wealthy support the vulnerable, and when systems are guided by conscience along with government. By embracing Zakat, we do not merely reform the economy. We reclaim our dignity, our justice and the conscience that defines our humanity. In an era where inequality is widening and trust is declining, the economic frameworks should be

based on justice. This is not just an idealistic vision, but it is also an urgent necessity for sustainable and inclusive social development.

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