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TOPIC: Ending Exploitative Taxation

A Zakat based system for justice, Economic growth, and welfare for all.

Introduction of zakat:

The word Zakat comes from Arabic root z-k-w (ز ك و), meaning to purify. Zakat is considered a way to purify one's income and wealth from sometimes worldly, impure ways of acquisition. According to Sachiko Murata and William Chittick, "Just as ablutions purify the body and salat purifies the soul (in Islam), so zakat purifies possessions and makes them pleasing to God.

In Pakistan *Zakat* is levied on *sahib-e-nisab*, i.e. a person who owns or possesses assets liable to Zakat under Shariah equal to or more than *nisab*, (about US \$300, calculated according to the value of 612.32 grams of silver¹). There are eleven types of assets liable to Zakat "detailed in 1st schedule of *Zakat & Ushr* Ordinance 1980".

Quranic Verses on Zakat

1. Surah Al-

Baqarah (2:177): "Righteousness is not that you turn your faces to ward the east or the west, but [true] righteousness is in one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveler, those who ask [for help], and for freeing slaves.

2. Surah Al-

Tawbah (9:60): "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 and for those in debt

and for the cause of Allah and for the stranded traveler—
an obligation [imposed] by Allah. And Allah is Knowing and wise.”

3. **Surah Al-**

Mu'minun (23:4): “And they who are to their trusts and their covenant are [diligently] observant.”

Islamic Economic Principle of Zakat

1. **Zakat as a Religious Duty:** Zakat is a religious obligation for all Muslims who meet the necessary criteria of wealth to help the needy. It is considered a tax and is next in importance to prayer in Islam.
2. **Eight Heads of Zakat:** The Quran mentions eight heads of Zakat, which include the poor, needy, those in debt, and those working in Zakat administration.
3. **Zakat on Wealth:** Zakat is based on the disposable income of an individual after fulfilling all their essential needs. The standard rate is 2.5% (or 1/40) of a Muslim's total disposable income.
4. **Nisab:** The minimum amount of wealth that a Muslim must hold before Zakat becomes due is known as nisab.

4. **Zakat on Cash, Animals, and Crops:**

Zakat must be paid in the form of the wealth on which it's being paid. Cash for cash, animals for animals, and crops for crops are the basic forms.

4. **Zakat Al Fitr:**

An annual obligation for all Muslims during Ramadan, with the amount determined yearly.

5. Zakat's Role in Economic Development:

Zakat funds can be used for investment projects, stimulating consumption, boosting production, generating employment, and balancing societal aspects.

Social Benefits of Zakat:

In the Muslim community, caring for each other is a main part of our faith. Islam emphasizes the importance of mutual support, and Zakat plays a crucial role in facilitating this. This highlights the importance of zakat in our faith.

By paying Zakat, we strive to support our fellow believers.
“When you pay Zakat on your wealth, it removes its evil from you.”

(Ibn Khuzaimah and at-Tab Arani)

Here are some of the social benefits of Zakat:

1. Cultivating Empathy:

When people share their wealth with those in need, they start to understand and feel the challenges faced by those who have less. This can make them value what they have more and feel more kindness towards others.

2. Stimulating Generosity:

Fulfilling the duty of Zakat develops kindness, empathy, and a strong sense of social responsibility among individuals for others. This practice brings a spirit of giving and concern for others.

3. Reducing Greed:

Zakat encourages people to share their wealth, which can reduce greed and the desire for more possessions. This shift in focus can lead to valuing things like kindness, generosity, and helping others. It is more than just having material things.

Ultimately, Zakat develops a supportive society where people look out for one another's well-being without any greed.

4. Encouraging Inclusivity:

Encouraging inclusivity is a vital aspect of the social benefits derived from giving zakat. Practicing Zakat enables individuals to contribute to the creation of inclusive communities.

Everyone feels valued and supported, regardless of their background, socio-economic status, or circumstances.

5. Enhancing Health and Education Access:

Donating Zakat to those in need can improve their access to education and healthcare. It provides them with essential support and opportunities for a better future.

6. A Sign of Brotherhood:

Conflicts and disagreements are common, even within families or communities. Zakat helps mend relationships by offering financial support to those who feel wronged.

It also allows individuals mediating disputes to be compensated for their efforts. It fosters reconciliation and strengthens bonds within the community.

Economic Benefits of Zakat:

Zakat also brings economic benefits by stabilizing the economy and reducing the disparity between the rich and the poor. It fosters economic progress by guaranteeing that those in need have the resources to improve their financial situations.

Here are some of the economic benefits of Zakat:

1. Breaking Chains of Poverty:

Zakat aims to reduce poverty and enhance the lives of those in need. It fights poverty and ensures fairness by providing aid to the less fortunate.

According to research in Pakistan in 2023, Zakat distribution led to a 7.5% decrease in the number of poor people. It also resulted in a 14.2% decrease in the poverty level. This shows how Zakat reduces the gap between the rich and the poor.

8. Reducing the Crime Rate

Zakat helps lift communities from poverty, preventing crimes like theft and robbery caused by economic hardship. When poverty is combined with a lack of faith, it often leads to an increase in the crime rate.

Thus, Zakat not only addresses material needs but also fosters a safer and more just society.

9. Providing Employment Opportunities

The Zakat system plays a vital role in job creation. Scholars say that skilled workers, such as tailors, blacksmiths, launderers, and butchers, can receive financial help to buy the tools they need for their work.

Similarly, farmers may receive Zakat funds to acquire land for agricultural purposes. This system effectively decreases poverty by expanding employment opportunities and providing financial stability to the needy, impoverished, and destitute.

10. Liberating Society from Interest

Zakat helps the poor by giving them what they need, while interest makes rich people richer and keeps them poor. Islam helps by giving rich people other ways to use their money without worry.

When people give zakat, it helps everyone be better off. Zakat brings equality and liberates society from interest.

11. Ensuring Fair Wealth Distribution

By allocating a portion of extra wealth each year to those in need, Zakat aims to elevate them to a state of sufficiency. This ensures access to essential provisions for a decent life.

This practice also helps to narrow the wealth gap prevalent in societies, creating a more equitable world.

12. Eliminating the Need for Begging

Zakat helps to eliminate begging by providing financial support to those in need. By fulfilling their basic needs, it allows recipients to maintain their dignity and independence.

As a result, Zakat reduces reliance on others and empowers individuals to live self-sufficient lives.

13. Providing Security Against Hunger and Disaster

Islam considers ensuring access to food and personal security crucial rights for all individuals. Therefore, Zakat can help those suffering from hunger or any disaster. Victims of disasters can receive support through Zakat to meet their basic needs and regain their well-being.

14. Improving Lives for the Homeless

Zakat provides vital support for homeless people, meeting their basic needs and enhancing their lives. While it doesn't build homes directly, it ensures access to essentials, providing crucial help to the homeless.

Furthermore, Zakat extends its provisions to orphans and abandoned youth, ensuring their care and protection. In such cases, Zakat is crucial in facilitating marriage by providing financial assistance to those in need.

implementation strategies of zakat-based system in Pakistan:

The implementation strategies of the Zakat-based system in Pakistan include the establishment of a centralized Zakat Fund, the creation of

District Zakat Committees (DZC) and Local Zakat Committees (LZC) at the district and local levels, respectively, to manage and distribute Zakat funds. The Zakat and Ushr Division under the Ministry of Finance was responsible for the Zakat collection system until the 18th Amendment in 2010, which led to the restructuring of the system to provincial management. The Central Zakat Fund (CZF) was established at the State Bank of Pakistan for centralized collection. The system aims to ensure that Zakat funds reach the intended recipients and promote social equity and distributive justice.

Challenges and Opportunities in Implementing Zakat-Based System:

The implementation of a Zakat-based system faces several challenges, including administrative inefficiencies, trust deficits, and the need for effective collection and distribution mechanisms. However, there are also opportunities for improvement, such as the potential for Zakat to play a significant role in reducing poverty and promoting social well-being. Digitalization and modernization of Zakat administration can enhance transparency, efficiency, and the overall effectiveness of the system. Additionally, the establishment of a National Welfare Foundation (NWF) could centralize and streamline Zakat collection and investment, potentially transforming Zakat recipients into contributors and significantly impacting poverty reduction and social development.

The Global Perspective on Zakat:

Zakat in Non-Muslim Countries:

In today's interconnected world, the practice of Zakat is increasingly observed beyond the traditional Muslim-majority countries. This expansion not only promotes a greater understanding and acceptance of Islamic charitable practices but also highlights the universal values of compassion and communal support inherent in Zakat. **Zakat's role in fostering social cohesion** and economic inclusion in diverse societies is becoming more recognized globally.

International Zakat Organizations:

The coordination and management of Zakat on an international scale are facilitated by numerous organizations. These entities play a crucial role in ensuring that Zakat contributions reach the intended beneficiaries efficiently and transparently. They also explore innovative ways to fulfill Zakat obligations, often leveraging technology to enhance the impact and reach of these charitable efforts.

Cross-Cultural Impact and Acceptance:

The practice of Zakat is gaining traction in various cultural contexts, reflecting a broader acceptance and integration of Islamic philanthropic values. The adaptability of Zakat to different economic systems and societal needs underscores its potential as a global tool for social justice and economic equity. The increasing involvement of non-Muslims in Zakat practices either through direct participation or support, further enriches this cross-cultural exchange, promoting a more inclusive approach to charity.

Future Directions for Zakat:

Policy Recommendations:

To ensure that Zakat continues to fulfill its vital role in promoting social welfare and economic redistribution, it is crucial to develop clear and actionable policy recommendations. These should focus on modernizing the Zakat system to address contemporary challenges while preserving its spiritual essence. Key areas include regulatory frameworks, cross-border Zakat transactions, and the inclusion of Zakat in national poverty alleviation programs.

Educational Initiatives:

Educational initiatives are essential for deepening the understanding of Zakat's principles and practices. By integrating Zakat education into both religious and secular curricula, we can foster a more

informed and engaged Muslim community. This will also help in nurturing a new generation that appreciates the importance of Zakat in achieving social justice and economic equity.

Integrating Zakat into Wider Social Programs:

Integrating Zakat into wider social programs can significantly enhance its impact. This approach not only broadens the scope of Zakat but also promotes collaboration with other forms of *charitable giving* such as Sadaqah Jariyah and Waqf. By doing so, Zakat can more effectively address the multifaceted challenges of poverty and inequality in various communities.

Conclusion:

In conclusion, Zakat is not merely a religious obligation but a transformative force within communities. Through the systematic redistribution of wealth, it alleviates poverty, fosters social justice, and promotes a sense of unity and empathy among individuals. The profound impact of Zakat extends beyond immediate financial aid; it cultivates a balanced economic system and empowers the needy, enhancing the overall well-being of society. As we have explored in this article, the potential of Zakat to effect positive change is immense, making it a crucial pillar not only in fulfilling spiritual obligations but also in building stronger, more resilient communities.

