Article writing :

Introduction :

Today, we delve into a topic of profound significance, one that is pivotal for Pakistan's economic stability and the fortification of its financial and banking system: **Ending exploitative taxation, a zakat based system for justice, economic growth and welfare for all.**
Pakistan stands at a crossroads decades of economic mismanagement, structural inequities and fiscal distribution have left the country struggling with slow growth, rampant inequality and a tax system that many describe as exploitative rather than equitable.
Unfortunately In Pakistan the current system of taxation is highly flawed and heavily skewed, placing an undue burden on the shoulder of middle class and lower class citizens, this unfair structure not only creates additional hardships and financial strain for ordinary families but also allows wealth to remain concentrated in the hand of a few affluent individuals.As a result social inequality widens and economic justice is seriously undermined, highlights the urgent need for a fairer system .This lopsided taxation framework the more equitable system such- as a zakat based based model- that can ensure wealth distribution social justice and economic growth so this essay explores a zakat based system grounded in the islamic way of life designed not only to foster economic growth but also uphold economic justice and secure the welfare for all

Research

Pakistan economic challenges arises from an exploitative taxation System That weakens justice growth and welfare; a zakat based framework rooted in islamic principal offers a fair solution All these discussed below in the article:

A.The current taxation system in Pakistan:

We will examine Pakistan's current taxation through the five key aspects : **.LOW TAX-to-GDP**
.Regressive taxes and their overdependence
.economic sector iniquities
. widespread informal economy
.corruption

1.LOW TAX-to-GDP: According to a wekipedia research tax to gdp ratio stands at approximately (9.5%) among the lowest in the world globally In contrast india (~17%) and Bangladesh (11%) Collect much more, revealing a Serious revenue shortfall that limits public Serviced development and over all economic growth.

2.regressive taxes and their overdependence:

Most of the Pakistanis rely on the basic circle of
necessities like food,fuel,and transport, taxing these essentials regressively increase public hardship, erodes trust in the government and weakens confidence in the economic system.This tax system is dominated by regressive taxes that disproportionately burden middle income earners, especially those earning that between 20,000 to 50,000 per month,taxes on basic goods and fuel increases daily living cost for normal citizens also fuel inflation and regressive bills of electricity etc,pushing the middle class over poverty

3.Economic sectrol inquiries:

Certain sector or institutes of Pakistan like farming ,property business and big companies avoid paying their full taxes through exemptions.these sectors and wealthy individuals pay less tax rich people accumulate more wealth, while the majority of population receive little benefits,increasing economic and social inequality this unequal tax burden is not theoretical .
Research and official federal board of revenue (FBR) data show that during the fiscal year 2024,25. Pakistan's salaried class paid about **Rs. 545 billion**
In income tax,while retailers contributed only **Rs.62 billion** under tax sections aimed at traider and retailer's (dailyPakistan.com)

4.widesspread informal economy:

Unfortunately a significant portion of Pakistan's economy operates outside the network,with may jobs and businesses functioning without government oversights or taxation.Both middle class and wealthy individuals participates in these informal activities these include small businesses like restaurants, manufacturing units,home based workes,free lancing, temporary employment and agriculture among the elite, This includes large landowners, investers, major corporation and industrial enterprises.such practices reflects the lack of coordination and fairness between government and citizens,undermeaning the trust and equilty in the system .

Corruption: One of the major weaknesses of Pakistan's economic system is corruption, which has obstructed economic development through non-transparent practices. Individuals and institutions engaged in the tax evasion, bribery, and misuse of legal loopholes, weakening the taxation system. Business owners, investors, and large corporations often hide income, conduct informal transactions, or use shell companies to avoid taxes. Moreover, some government officials accept bribes during tax audits and grant unlawful exemptions, encouraging businesses to operate outside the network . According to a report by the Auditor General of Pakistan, over **Rs.600 billion** was lost in a single fixed year due to tax corruption and demonstrative inefficiencies, exposing a serious flaw in tax enforcement. This massive revenue loss limits spending on health, education, and development, while increasing the tax burden on taxpayers, particularly the middle class.

B.The burden of an exploitative regime:

Pakistan's current taxation system places an undue and unaware burden on its citizens, particularly the uneducated and unaware, who often struggle to navigate government policies. sudden increase in taxes on essential goods, fuels, and utilities not only raises living costs, but also fuels public frustration and distrust. Many perceive the system as corrupt, which drives widespread tax evasion. It is imperative for Pakistan to adopt a fair, transparent, and Islamic principle-based taxation system that fosters trust, equality, and cooperation between the government and its people. Such a system would encourage voluntary compliance and set the nation firmly on the path to sustainable economic growth.

C.Zakat

Zakat is not only a fundamental pillar of our topic but also a key to strengthening our economic life, the nation economy, and the welfare for all people. The following point highlights its significance according to the topic.

1.Zakat in Pakistan fiscal system:

Zakat is a fundamental pillar of Islam, is both an act of worship and economic system that purifies wealth and distributes it from the financially capable to the needy. It is 2.5% of accumulated wealth over a year.**Our holy prophet hazrat Muhammad (s.a.w) said: “whoever has one full lunar year pass and**

Whole wealth exceeds the hisab then 2.5% of it becomes obligatory as Zak at” (sahih bukhari,kitab u zakat ,1395) In Pakistan, the Zakat and ushar Ordinance of 1980 established as a state-administered system deducting Zakat annually from eligible bank accounts during Ramadan. Key bodies, Zakat Council, District Zakat Committees, (DZCS) and Local Zakat Committees(**LZCS**) collect and distribute Zakat according to regulations.

2.zakat as religious duty Vs tax:

Zakat’s true power lies in uplifting the most vulnerable segments of society through a divinely guided system of wealth redistribution. Unlike conventional taxation, which primarily finances broad state services, Zakat is purpose-built to directly support the poor, needy, and socially marginalized. However, in Pakistan, state-managed Zakat collection is plagued by inefficiency, weak governance, and a lack of transparency. These shortcomings have severely eroded public trust, resulting in billions of rupees in unrealized Zakat collections each year. If effectively mobilized, Pakistan’s untapped Zakat potential—estimated at nearly 4% of GDP—could significantly reduce poverty, empower disadvantaged communities, and strengthen social cohesion across the nation

3.Economic growth, justice, welfare and social security:

Zakat is often misunderstood as mere charity while in reality it is a comprehensive social economic system that ensures equitable wealth distribution by patenting the concentration of wealth. A zakat-based system promotes social justice, reduces poverty, and provides a strong safety net for low-income groups. It enhances purchasing power, stimulates local economies and supports education, healthcare, and basic needs, contributing to sustainable welfare and social development.
In quran Allah (s.w) says: "so that wealth may not merely circulate among the rich among you"
Although (Surah Al-Hashr 59:7) does not directly refer to the zakat, it clearly emphasizes the core Islamic economy principle of presenting wealth, concentration, and promoting equitable distribution in society

4.Practical implementation of zakat in Pakistan:

Practical implementation of zakat is discussed in following points.

a.current situation:

The Zakat system remains ineffective due to weak government collection and limited transparency, causing most citizens to prefer paying Zakat privately rather than through the officials.

b.zakat potential:

Despite these issues, Zakat holds immense potential, estimated at nearly **2.7 %** of GDP (Rs 2,743 billion) which could significantly support poverty alleviation and social welfare program**.**

c.implemention challenges:

Political Interference, Lack of Institutional Transparency, Low Public Trust, and Insufficient Awareness of Zakat Loss Continue to Binder Effective Implementation

d.policy recommendation:

strengthening digital systems improving transparency raising public awarness,and strictly adhering to Islamic principle are essential to restore trust and maximise the impact of zakat

B.From exploitative taxation to equility:Remaining taxation through a zakat based system for justice and collective growth:

Exploitative taxation and burdensome financial systems in Pakistan have deepened economic inequality, eroded public trust in state institutions, and weakened social cohesion. The absence of a fair, Zakat-based economic framework has intensified social and economic challenges, leaving vulnerable segments of society inadequately protected. Establishing a just, transparent, and Islamic principles-based system can ensure equitable wealth distribution, reduce fiscal injustice, and strengthen public confidence. By dismantling exploitative structures and integrating Zakat as a core pillar of economic governance, Pakistan can stimulate sustainable economic growth, enhance social welfare, and place the nation on a path toward lasting prosperity, justice, and collective well-being.

Key points for establishing an ideal economic growth system in Pakistan through a Zakat-based taxation framework:

1.Transparent and efficient collective system:

How to improve : Implement digital platform for zakat and tax collection, reduce burdenatic delays, and use technology to track and manage funds and assets

2.Public awareness and education:

How to improve : Launch nationwide campaign to educate citizens on zakat, obligation, benefits, and the importance of paying taxes fairly and transparently. Foster citizen trust in government and economic institutions to ensure native participation and confidence in financial governance

3.Fair and equitable taxation:. Replace exploitative taxation as a system based on income, wealth, and zakat principles to ensure social justice and reduce economic inequality.

4.Incentives for compliance :

After benefits or recognition for time and voluntary zakat and tax payments to encourage first-hand participation.

5.Strengthing Institutions: Establish an accountable, transparent, and corruption-free institution to efficiently manage the collection, distribution, and oversight of Zakat and taxes.

6.integration with economic growth programs:

Use collected funds to support poverty alleviation, education, healthcare, and entrepreneurship programs to promote sustainable economic development.

7.Alignment with islamic principles:

Ensure all political policies follow Sharia guidelines, making the system ethical, sour, and socially accepted. Our Prophet, Sallallahu Alaihi Wasallam, said: “that the most beloved of people to Allah on the Day of Judgment and the Colossus to Him will be the just leader”. This highlights that justice and ethical governance are central to Islam, reinforcing the need for a Sharia-applied economic system.

8.monitoring and accountability:

Establish independent audit system and regular reporting to maintain transparency and public confidence.

Having explored how a just transparent and Shariah compliant taxation system can transform Pakistan's economy, we now turn to the concluding insight and recommendation.

Conclusion: The current exploitative system has burdened Pakistan’s citizens and weakened harmony between the government and the people. The public is deeply dissatisfied with the government and financial institutions. It is now essential to establish a just system based on Zakat principles, ensuring transparency, fairness, and development across all sectors of the economy.

This system should prioritize the middle and lower-middle classes, meet their basic needs through Zakat, and foster public trust and loyalty toward Pakistan’s economy. A Zakat-based framework will stabilize the economy, support social welfare, and shape a society guided by equality, compassion, and justice, ultimately building a strong, prosperous, and successful nation.