

Zakat-Based System to End Exploitative Taxation in Pakistan

He counted his salary by the light of his phone at the end of the month. Rent first. Then groceries. Then the electricity bills. After all that, what was left barely covered a few days of life.

He stared at the balance and thought about borrowing from a friend again just to make it through the week. This is the everyday reality for millions of people in Pakistan.

According to the [Pakistan Economic Survey 2024-25](#), total tax collection grew by 25.8 percent to Rs9,137.3 billion in July–March FY2025 compared to last year.

This sounds like progress on paper, right?

However, in reality, it reveals that the system continues to squeeze ordinary people harder, while the rich often slip through the cracks. People are paying more and more, but the benefits barely trickle down. The struggle is the same. You work, you pay, you hope...

This is exactly what happens when taxation becomes exploitative. Money is taken relentlessly from those who can least afford it. Meanwhile, the system rarely helps them in return.

However, the zakat-based approach doesn't punish the weak. It directs wealth where it is needed most. It can ease the burden, make contributions meaningful, and actually support people struggling just to get by.

In this blog, we'll delve into the true cost of exploitative taxation and explore the zakat-based system as a practical solution.

What is Exploitative Taxation?

Exploitative taxation is when the system takes more from ordinary people than is fair. It hits those who can least afford it, while the wealthy find ways around it. You give and give, but the support you see in return barely exists.

For Example

Here's what it looks like for most people:

- The purchase you made at the grocery store already includes hidden levies.
- Your electricity and utility bills carry extra charges that keep creeping up.

- Filling fuel at the pump takes another slice from your monthly budget.
- Rent, school fees, and basic expenses add to the squeeze.

What's the Impact of Exploitative Taxation on Pakistan's Economy

Exploitative taxation doesn't just hurt individuals. It slows economic growth, increases inequality, and creates frustration that spreads through society. When ordinary people bear the burden while the wealthy escape, the economy suffers in ways that aren't always visible but are deeply felt.

1. Stifled Consumer Spending

This is what exploitative taxation does to you. Your salary disappears in bills and taxes before you can breathe. Shops see fewer customers. Small businesses struggle. The economy slows quietly, month after month.

You end up making choices you shouldn't have to. Groceries get trimmed to the bare minimum. Clothes, small treats, and even outings become luxuries. Every rupee is stretched. Every purchase feels like a weight on your shoulders. When people have less to spend, the whole system feels the pinch.

2. Increased Inequality

Exploitative taxation hits ordinary people hardest, while the wealthy find ways to pay less. You pay more, they pay less. Wealth piles up at the top while you scrape by.

You see it in neighborhoods, schools, and hospitals. You feel it in daily life. Salaried workers pay indirect taxes on every purchase, while corporations dodge them. Opportunities, services, and comfort are stacked against you. Inequality isn't just numbers. It's your reality every single day.

3. Strain on Public Services

Even when taxes go up, it rarely feels like anything changes. Look at public hospitals or government schools. Overcrowded wards, broken equipment, classrooms with barely enough desks. Roads stay in disrepair. It does not seem like anything that is taken is actually being put to use for the people who paid for it.

Money moves through the system, but lives do not improve. You feel the weight, and the consequences ripple through your daily life and the economy as a whole.

How Does a Zakat-Based System End Exploitative Taxation?

A zakat-based system is one where wealth is shared fairly. Instead of the government squeezing ordinary people through heavy, hidden taxes, wealth flows voluntarily but systematically from those who can afford it to those who need it most. The focus is on support, not extraction.

In Islam, **zakat is one of the five pillars**. It is a moral obligation for eligible Muslims to give a small portion of their wealth each year.

Difference Between Exploitative Taxation & Zakat-Based System

Aspect	Exploitative Taxation	Zakat-Based System
Burden	Ordinary people carry most of it	Wealth shared fairly from those who can afford
Impact on Daily Life	Hardship, stretched budgets	Supports those in need, eases pressure
Economic Effect	Slows growth, stifles spending	Reduces poverty, stimulates local economy
Social Outcome	Increases inequality	Promotes dignity and fairness
Governance	Low transparency, misuse the common	Transparent, accountable, community-focused

In short, exploitative taxation ends because wealth is redistributed fairly, voluntarily, and efficiently, guided by moral and social responsibility rather than purely government extraction.

Mechanisms: How a Zakat-Based System Would Work

A zakat-based system works because it is simple, transparent, and focused on people rather than bureaucracies.

To understand how it could function in practice, we can break it down into four key areas: collection, distribution, governance, and integration.

1. Collection

Eligible Muslims contribute a small portion of their wealth annually. The system relies on transparency and efficiency.

- **Who contributes:** People who meet the minimum wealth threshold (nisab). Example: A business owner or a salaried professional above a certain income level.
- **How it's collected:** Through local religious institutions, digital platforms, or community networks. Example: Contributions via approved apps or mosques.
- **Transparency measures:** Tracking contributions and issuing receipts. Example: A donor can see exactly where their zakat is going.

2. Distribution

Funds go directly to those in need, addressing immediate and long-term challenges.

- **Who benefits:** Poor families, students, patients, and vulnerable community members. Example: Providing school supplies to children who cannot afford them.
- **Priorities:** Poverty alleviation, healthcare, education, and emergency relief. Example: Funding medical treatment for a family unable to pay hospital bills.
- **Efficiency:** Structured allocation to ensure help reaches recipients quickly. Example: Local committees verify need before disbursing funds.

3. Governance

Oversight ensures accountability and builds trust. And this is something that Pakistan's current system lacks a great deal. As per the [Governance and Corruption Diagnostic's \(GCD\)](#) latest research, the IMF says Pakistan is losing 6% of its GDP to corruption.

- **Monitoring:** Independent committees track collection and spending. Example: A council verifies quarterly reports from mosques collecting zakat.
- **Accountability:** Transparent reporting to the community. Example: Public dashboards showing how much was collected and where it was spent.

- **Prevention of misuse:** Audits and community feedback loops. Example: Any misallocated funds are immediately corrected.

4. Integration

A zakat-based system can complement or gradually replace harmful taxes.

- **Coexistence:** Works alongside existing public finance programs. Example: Government supplements healthcare while zakat funds cover urgent needs.
- **Gradual replacement:** Reduces reliance on exploitative levies over time. Example: Zakat contributions help fund welfare programs that were previously financed through heavy indirect taxes.
- **Sustainable growth:** Communities see direct benefits and continue participation. Example: Families receiving support reinvest in local businesses, creating a positive cycle.

Benefits and Potential Impact of a Zakat-Based System

A zakat-based system does more than redistribute wealth. It directly improves lives, strengthens communities, and builds a fairer economy.

Economic Benefits

A zakat-based system eases poverty and gives low-income families breathing room. People can spend on daily needs, invest in small businesses, and support their local communities.

Social Benefits

It restores dignity, narrows inequality, and strengthens social bonds. People feel supported instead of ignored, and communities grow more resilient.

Political Benefits

When wealth is distributed fairly and transparently, trust in institutions rises. Governance becomes more accountable, and citizens can see how their contributions are actually used.

Long-Term Vision

Over time, this system builds a fair, resilient economy. Dependence on exploitative taxes decreases, and society shares prosperity and opportunity more evenly.

What Does Islam Say About a Zakat-Based System?

The Quran urges helping the poor:

“Have you seen the one who denies the recompense? For that is the one who drives away the orphan and does not encourage the feeding of the poor.” ([Surah Al-Ma’un 107:1-3](#))

The Prophet (PBUH) himself said,

“Zakat is taken from the rich and given to the poor.”

Over time, several caliphs implemented zakat-based systems to organize wealth distribution and support society.

[Several caliphs implemented zakat-based systems](#), including Abu Bakr, Uthman, and Ali, but the most remarkable achievement came during **Umar ibn al-Khattab’s** reign.

Within just two years of implementing a structured zakat system, there were no poor people left. This is the power of Zakat!

In a Nutshell

“The believer’s shade on the Day of Resurrection will be his charity.” ([Sahih Muslim 994](#))

Every day, ordinary people around you are stretched thin. Salaries barely cover rent, bills pile up, and families go without basic needs. That doesn’t have to be the norm. By giving zakat consciously, supporting verified community initiatives, or even ensuring transparency in how contributions are used, you become part of a system that lifts people rather than pushing them down.

Your actions create real change. Start small and act today because when enough people participate, the system shifts and fairness becomes reality. Every drop contributes to the greater good.