

FATAWA TAXES 2003

Taxes and the Shari'ah

From: Monzer Kahf
Sent: Sunday, November 09, 2003 11:34 PM
To: Islam on line
Subject: RE: Islam and Taxation

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa
Ashabihi Ajma'in

Dear Br. Omar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The worry you have is very real and very important, but unfortunately there is a little piece of information that you had incorrect: "I know that Islam forbids direct taxation." Islam does not forbid taxation whether direct or indirect. This probably makes you satisfied with an answer, but I will give some more details in the form of the following points:

Islam, as a religion and socio-political system, recognizes that the government has many needs for expenditures; you named several examples such as maintaining internal and external security and paying salaries for government officers, judges, etc. Some of these item may not necessarily be done by the government such as health care, education and a great deal of the infrastructure, especially in an Islamic system where there is a big role played by the voluntary non-for-profit sector that includes the Waqf, the Zakah and Sadaqat.

Zakah you should notice is not the only financial duty in the Islamic system it is rather a special duty designated to specific purposes, mainly the poor and needy.

On the other hand taxes, preferably direct such as income and sale taxes may only be imposed in accordance with the need for revenues. Hence, countries that have plenty of other resources, like oil, must not impose taxes while countries that are poor with such natural resources have to collect taxes. when taxes are levied they must be distributed justly on the rich persons in accordance with their ability to pay, not on the poor or on the items consumed mostly by the poor. All these principles you can find their support in the Qur'an, the Sunnah and the traditions of the first four Khulafa' of the Islamic history. You may like

to consult a few readings on the subject. I have three or four papers that touch on this issue on my website www.kahf.net

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, November 08, 2003 5:11 AM

To: monzer@kahf.net

Subject: Islam and Taxation

Name of Questioner Omar Gender Male Age 31-45

Education Graduate Date Submitted 11/1/2003

country of Origin Somalia User Ref. No. 137I7K country of Res. Norway

Assalamu Alaikum, I've a question about Islam and taxation. I know that Islam forbids direct taxation, but my question is how, according to the Shari'ah, it is practical for a state to finance such important basic services as health care, education, policing as well as the infrastructure, without collecting direct taxation. I also know that the closest thing to taxation allowed by Islam is the Zakah, which is 2.5% of one's saved earnings. Can this be the basis of the revenue of the state, especially if that state is poor and very populous one to finance those basic services, not to mention defense budget. Certain Islamic countries, such as those in the Persian Gulf with petrodollars can afford many services for their people, but in reality the majority of the Islamic countries don't have such wealth as the case of Pakistan. Why is it forbidden if the purpose of taxing the disposable incomes of people who can afford, is to finance the services needed by the poor? Can you elucidate this with regard to the Shari'ah? Jazakum Allahu Khairan wa-salaam.

From: Monzer Kahf

Sent: Tuesday, December 10, 2002 10:41 AM

To: Islam on line

Subject: taxes and Shari'ah

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. samah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You are making life too difficult for us if you want to insist on keeping all the actions of governments and their reactions by individuals within the line of religious rulings. When I gave you the previous answer as stated below your question I was fully aware of the Hadith about cheating that you quote now and it was, and is still, vivid and alive in my mind. I believe it will be too much if some one wants me to feel guilty if I go ten miles above the speed limit without really endangering anyone because I am supposed to obey the government or to feel guilty if I do not declare at custom a camera I bought for my young daughter because this is cheating of the government. government collect taxes and makes worldly systems and organizations for the society and country, and we all have different views about these regulations. But giving them religious standing and applying to them the religious standards is the duty of those who enact them when they are enacted, no doubt about that; but even with such securitization we still differ about them and I don't think that the criteria of prohibiting cheating apply to them, nor of prohibition of fines and confiscation apply to the government action if individuals are caught. There is a precedent to this in Islamic Fiqh that comes from not applying the theft Hadd on stealing from government funds (this does not mean that such stealing is not sinful or punishable, but it means it is not punishable by the Hadd of cutting). Still we are talking only on minor matters that do not make by any standard a betrayal of the society or falls on other individuals' properties or persons. Betrayals of the country and society is certainly a religious sin in addition to being a civil crime and aggression of other individuals' properties and/or persons certainly falls under the rules of no cheating and no taking of other people rights without their free un-pressured consent.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Tuesday, December 10, 2002 6:16 AM

To: Dr. Monzer

Subject: financial online 1

Name of Questioner samah Gender Female Age 15-20

Education High School Date Submitted 10/3/2002

country of Origin Sudan User Ref. No. 6RTHNU country of Res. S. Arabia

Assalamu alaykum. I have sent to you before in a question whose reference number is (VHACIQ) and I would like to add something if you don't mind. The sheikh, jazaho Allahu Khairan, said that the matter is worldly and is not religious, but doesn't honesty come in the way in this case? I mean the Prophet, (pbuh) said: *من غشنا ليس منا* so isn't this a kind of *غش*, the fact that we did not tell the government about the receiver, and therefore we are not paying them? Please

answer my questions and Jazakum Allahu Khairan and I hope I haven't bothered you. Assalamu alike wa Rahmatullahi wa Barakatuh.

Following is a copy of the previous question and answer:

Name samah - Sudan

Title Financial Question

Question

Assalamu alaykum brothers and sisters in Islam. I would like to have the scholar's opinion in this point. In my country owning, a receiver means paying a certain amount of fee annually to the government, which is not done in any other country as far as I know. My family in Sudan do not want to pay this amount of money to the government because the government has no right in asking for it in the first place, and in Sudan life is tough so you have to hang on to your money as much as you can. So what my parents did, who lives in Saudi Arabia, was smuggle the receiver into Sudan from Saudi Arabia and give it to our family here. The government does not know about the receiver therefore my family does not pay anything to the government. In case the government finds out that they haven't been paying these fees they will confiscate the receiver from my family. When I sort of brought up this topic with my father, he said they are thieves- meaning the government- because they are taking fees that they are not supposed to take. So my question for you is, I know that smuggling must undoubtedly be Haram in Islam, but in this case is it excusable or not??? Then I want to ask about not paying the fees, is it excusable considering the fact that the government has no right in asking for this money in the first place??? lastly, I want to know if anything that my family knows or takes from the receiver i.e., information and any useful thing from the receiver's channels is Haram incase you decide that the possession of this receiver is Haram to begin with, considering the fact that what is based on Haram, is Haram all the way. If they have committed wrong , please show me how they could make up for their sins Islamically. Thank you, Jazakum Allahu Khairan. Assalamu alaykum wa Rahmatullahi wa Barakatuh.

Date 9/25/2002

Mufti Dr. Monzer Kahf's Answer

Wa `Alaykum As-Salam Wa Rahmatullahi Wa Barakatuh.

In the Name of Allah, Most Gracious, Most Merciful.

All thanks and praise are due to Allah and peace and blessings be upon His Messenger.

Dear questioner! We really appreciate your confidence in us and the great interest you show in understanding the teachings of Islam.

Answering your question, Dr. Monzer Kahf, Islamic Economist & Financial Expert, states the following:

“In all matters on which there are no text in the Qur’an and Sunnah, even taken by analogy and Ijtihad, the main guidance becomes serving the interest of the Ummah as a nation as well as individuals.

Consequently, custom duties, taxes and fees imposed by governments must be looked at on the basis of the interest of the Ummah or the country and its people. There must be good reason for imposing taxes on TV satellites, receivers and cables. As a fact, many countries have such fees and taxes including several of states in the USA. The judgment that a given tax or fee is just or not cannot be made individually keeping in mind that there are taxes and fees that are unjust in many countries but such judgments must have some kind of collectivity in a given country.

On the other hand, matters that are purely relate to this world without having any religious values on their own such as taxes, custom duties and smuggling permitted goods must not be emphasized on the religious level. That is, although Islam is a total way of life it leaves a lot of room to deal with worldly matters at the level of this world without giving them much religious value. For example, whether you use fertilizer in farming or not or whether you shake the palm trees or not to have better fruits or whether to impose taxes or not or to avoid paying taxes or not are all worldly matters as long as the person does not put her/himself in a shameful situation that is morally demeaning or hurt other people.

Getting a receiver in the country hidden from the eyes of the government, confiscating it in case it is caught and imposing fees on receivers fall under this category of things that are of worldly concern with little religious value and we should not be adamant on searching for a religious evaluation for such actions although I would not use the term thief for the government that imposes fees or confiscates a receiver.” Almighty Allah knows best.

Interest-Based Loan to Reduce Taxes

From: Monzer Kahf
Sent: Wednesday, October 15, 2003 7:54 AM
To: Islam on line
Subject: RE: Getting a Loan to have tax exemption

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. Hussam

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I thought carefully of your question. it is the kind that make me silent! I do not dare to say that it is permissible to take this loan under the circumstance, at the same time I argue that you have a strong case to make all you can to save on the

taxes. protecting your property against substantial taxes is a very legitimate excuse that justifies limited relaxation of prohibitions.

So I cannot give you a Fatwa but I can tell you if you take this loan and ask me after that I would say you are, InShaAllah, not sinful in what you've done. This seems to me the kind of "the dust of Riba" that the Prophet, pbuh, told us it may be unavoidable sometimes. Please remember the Verse that assures that good deeds verily wipe out bad ones "Inna al Hasanata Udhhibna al Sayyi'at."

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Tuesday, October 14, 2003 2:08 AM

To: monzer@kahf.net

Subject: Getting a Loan to have tax exemption

Name of Questioner Hussam Gender Male

Age 31-45

Education Graduate

Date Submitted 10/4/2003

country of Origin Syria

User Ref. No. MB1BPN

country of Res. Canada

We are developing a new project in a Muslim country which is financed by us, we had no intention to get any loan from any bank, the estimated investment is between 300,000 to 400,000 US\$. Now, in order to get TAX exemption for 10-years, we need to get small loan 10,000 US\$ from a government investment funding organization, the TAX money that we are trying to avoid is very big amount over 10-years and it will affect our ability to compete with others...we are asking if we can borrow this money from this investment funding organization to get TAX exemption. it is expected that it will take 30-45 days to get the TAX exemption papers completed and then we will return the money to the bank with some interest The question is it HALAL ???

Paying Interest on Delinquent Taxes

From: Monzer Kahf

Sent: Tuesday, August 26, 2003 1:08 PM

To: Islam on line

Subject: RE: Paying Tax with Interest

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Sr. mahtaab

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I argue that since interest obtained on a saving account or any other deposit accrued to you is not yours from the Shari'ah point of view, you cannot use it for disposing of your legal obligations toward the government or toward any other entity you may have obligation to. You cannot even use it to pay the interest that accrues on an interest-based loan you may have borrowed.

The Shari'ah position is that earned interest is not earned but it is still owned by the payer. But since the payer is a bank whose business is to give loans on interest we must not return it to the payer as such an action increases the evil of interest and empowers the evil doers. Thus you need to dispose of this interest money by giving it to Muslim charity not as a Sadaqah but for the purpose of keeping your own money clean.

Taxes are civil obligations that is essentially the result of living together in a society/community and needing governmental services. Taxes are thus personal obligation that must be paid out from your own money not from money you do not own.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, August 25, 2003 5:25 AM

To: Monzer Kahf

Subject: Paying Tax with Interest

Name of Questioner mahtaab

Gender Female

Age 21-30

Education Post Graduate

Date Submitted 8/17/2003

country of Origin Mauritius

User Ref. No. HMKM1B

country of Res.

Respected Scholars, Assalamu alaykum, I would like to know whether I can pay my annual Income Tax with the Interest I get on my saving account.

Notes

I would like to maintain my privacy, if ever you include my question on your site, please do not mention my name

Using Tax Loopholes and Cheating

From: Monzer Kahf
Sent: Monday, August 04, 2003 7:24 AM
To: Islam on line
Subject: Islamic view of people cheating with tax returns

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. M.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Cheating is giving false info/documents; this is forbidden in Shari'ah even if it were for tax purposes. But using the loopholes of the system is certainly permissible and it is practice day and night by normal people. One of the loopholes that is commonly used is to give an answer only to the size of the question and not to volunteer any additional info that are not necessarily part of the question. Using the loopholes is not cheating.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, August 04, 2003 12:07 AM

To: Monzer Kahf

Subject: Islamic view of people cheating with tax returns

Name of Questioner m Gender Male Age 31-45

Education Post Graduate Date Submitted 7/30/2003

country of Origin U K User Ref. No. 9B85QV country of Res.

Assalamu alaykum. What is the Islamic view on people who are self employed and cheat with their tax returns. Would this be considered stealing?

Do Taxes Make a Substitute of Zakah?

From: Monzer Kahf
Sent: Tuesday, May 20, 2003 6:55 AM
To: Islam on line
Subject: RE: Paying Zakah or Taxes

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. Emira

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Zakah is part of the Islamic system in as much as it is an individual financial obligation. As part of the system, it should in principle be collected by the government, or a special agency of it, and distributed only for the specific categories of recipients as mentioned in the Qur'an (9: 60). Its advantages in comparison with taxes are: 1) it is permanent, cannot be eliminated by a governmental/legislative action; 2) fixed in rate, exemption and Zakatable items, cannot be altered; 3) it has specific recipients, cannot be used for other government objectives; and 4) it is enhanced by religious zeal as a part of religion. If it is collected by the government it must be collected in its name and designated for its recipients as an autonomous duty and operation.

At the individual level, all Muslims are required to pay it as an expression of obedience to God. It is the sister of prayers in the sense that the latter is a bodily expression of submission to the Creator and the former is a financial expression of the same. This is the implication of the verse that made Zakah a religious obligation (9: 103) for personal growth and purification. There is no system in the world, and there had never be, other than Islam that made the right of the poor unequivocal, permanent and outside the reach of political manipulation to the extent that even if the government did not take charge of it you still have to do it personally. This is a great virtue that need to be appreciated.

Finally, the needs for Zakah money is overwhelming all over the Muslim world to the extent that if there were no such a personal obligation the wise ones among us must have thought to create one as a minimum expression of the Islamic brotherhood and the oneness of the Ummah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line
Sent: Monday, May 19, 2003 5:49 AM
To: Monzer Kahf
Subject: Paying Zakah or Taxes
Name of Questioner Emira Gender Age
Education Date Submitted 5/12/2003
country of Origin User Ref. No. AXN895 country of Res.

I have been asked by a brother new to Islam why he is to pay Zakah when he already pays taxes in his home country. I could not provide a solid answer because, indeed, modern systems of taxation do meet many of the objectives imbedded in the Zakah itself, such as serving the public good, and in particular, providing social security systems and services to the poor. Given that many western democracies also distribute a portion of tax money to religious organizations (including Muslim ones, as is the case in Austria where the brother is from), what is the supplemental role of Zakah in a state with an established taxation system? Thank you!

Paying Taxes to Government that Fight Muslim Countries

From: Monzer Kahf
Sent: Sunday, April 20, 2003 9:43 AM
To: Islam on line
Subject: RE: Staying in UK, Paying Taxes & Current Situation of Muslims

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. Adil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

For tourists and visitors what you said makes sense. The call for boycott includes avoiding countries whose governments and troops Kill innocent Muslims In Iraq, Palestine, Chechnya and other areas in the world.

But there are many Muslims today whose only homes are the countries where such government rule at this time. Those Muslims have a different role for all the certainly that I can recruit to convince you my dear brother. Those Muslims are

part of their own societies and while they MUST AVOID any activity that contribute to the aggression of their government, they must save no effort to change the aggressive exploitative policies of these governments toward certain Muslim countries as well as toward many other developing countries in the world.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, April 19, 2003 12:36 AM

To: Monzer Kahf

Subject: Staying in UK, Paying Taxes & Current Situation of Muslims

Name of Questioner Adil Gender Male Age 15-20

Education High School Date Submitted 4/14/2003

country of Origin U K User Ref. No. CDZV51 country of Res. U K

Assalamu Alaikum dear brother My question is that I have heard that in the Qur'an it says to help the Kuffar directly or indirectly is not allowed. If we take this in present day does this not mean that we should not be living in UK and the USA as these two countries use the tax money to make bombs which are then used to kill innocent Muslims. (please don't think I'm saying that one should not pay tax) We are always told to boycott American products but why can't we boycott the country altogether after all most of us live in UK and USA for money. So please tell me should a Muslim not live in these countries like USA and UK due to their actions.(After all it is a big world so one should not have problem moving elsewhere)
