

FATAWA TAXES 2006

Deducting Zakah from Taxrs

Subject: Claiming Zakah as deduction on tax return

From: Rashad through Islam on line

Sent: Thursday, March 30, 2006 6:45 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Can Zakah be claimed as charity or as a gift for tax purposes? Jazakum Allahu Khairan for your constant help

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. Rashad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, of course it is permitted to claim the paid Zakah as charity on the tax report. Isn't it a charity?

It is the best charity ever anyway! And you get the tax refund Halal plus Halal

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Tax Cheating and Evasion

Subject: Cheat the Non-Muslim Government on Taxes by Presenting False/Bogus Expenses

From: Shakir through Islam on line

Sent: Tuesday, March 07, 2006 4:42 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Dear Respected Scholars, I am a software consultant by profession. Alhamdulillah I have done excellent business in last 2 years (May Allah the Almighty shower the same on all my brothers in faith). This has resulted in huge tax liabilities. I have two questions here: 1) Is it OK as per Shariah to cheat the non-Muslim government on taxes by presenting false/bogus expenses? 2) Can I take a loan for some property (I already have 2 houses and one office of my own – Alhamdulillah without loan) and take tax rebate? Because in India when you take a loan for property for business purpose, the principle + interest amount both are deducted from taxable amount. This will help me reduce my tax amount by atleast Rs 180,000 i.e. US \$ 4000 approx. Please advice and oblige. Jazakum Allahu Khairan for your constant help

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. Shakir

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Lying is not permissible under all circumstances because the Prophet, pbuh, said that "a believer does not lie" and the Qur'an places a Wrath on liars. But lying is different from avoiding questions or telling part of the reality. In many instances you are required to tell all the truth. For instance you may not declare all your income or you may add expenses that are on the household and make them as business expenses, pleasure trips may be claimed as business doing a little business during them such as carrying your laptop and sending business email during the trip. These fall under what is called border line info "al Ma'arid" about which the Prophet, pbuh, said that their use makes you avoid the need to lie. By the way, there is no difference between Muslim or non-Muslim government. Check with your accountant and use all the loopholes in the tax system.
2. Taking an interest loan for the purpose of reducing taxes: can this arrangement be done with one of the small Islamic finance companies that charge mark up (that can be claimed as interest in regards to tax laws) instead of interest and then get the same benefit without interest dealing? If it can there is no room to get it on interest.
3. Although I don't believe that the Fatwa given for Muslim families in the West when they buy their residence apply to Indian Muslims because of the large number and geographical concentration, the tax consideration is one of the issues that underline this Fatwa. I give it to you as a point of info only not as a Fatwa.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Paying Taxes to non-Muslim Governments

Subject: Muslims Paying Taxes in US

From: Wael through Islam on line

Sent: Monday, January 02, 2006 6:30 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Millions of Muslims pay around 80 Billion USD in taxes each year. Around 40% of it goes in direct usa military budget. So Muslims pay around 35B\$ a year to support an army killing Muslims! What are your views? Jazakum Allahu Khairan for your constant help

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. Wael

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If you live in a country you must abide by its laws, other wise you must not live in it. The laws in the USA requires you to pay taxes and provide ways and means to reduce them, you should use all what is permissible to reduce them. At the same time the law allows you to vote and lobby against the colonialist action and attitude of the present administration, use your rights to the fullest and find means and ways to divert votes away from any administration that does wrong to other Muslims and to non-Muslims too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Are Taxes Permissible to Levy

Subject: Imposing Taxes on Income in a Muslim Country

From: Wael through Islam on line

Sent: Monday, January 02, 2006 6:27 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

In a Muslim state are taxes Haram? or is it ok if a Muslim country puts a 10% tax on income.

My Regards. Wael Jazakum Allahu Khairan for your constant help

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. Wael

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This is not a Fatwa question. The quick answer is: it depends on the need for financing government activities and there are conditions for imposing taxes one of them that taxes must be related to ability of taxed people and relative to their wealth and income and must be approved by the society in a proper representative manner.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf
