

FATAWA TAXES 2008-2012

Subject: Is Tax permissible?

From: Sara

Sent: Monday, September 22, 2008

Question: are sales taxes permissible?

Assalamo 'Alaykum,

I would like to know if sales taxes are permissible.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Sara

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1) Taxes on sales and other items. Transactions are permissible if there is a need for resources by the government and taxes are imposed and assessed with justice and certain other technical conditions that are known in detailed studies on this issue.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Samy, Islam on line

Sent: Wednesday, October 08, 2008

Question: Tax on salary

Assalamu Alaykum wa Rahmatullah wa Barakatuh,

I really appreciate the work you done for Islam. My question is related tax. I am working in a non-governmental organization which get fund from foreign countries and our contract is signed with the parent organization in that country we work in its regional office now and our organization is not registered for any type of income tax and we took our net salary, should I go to the bank and pay for individually?, nobody who is working with me does that. It is not a Muslim country and I am just confused about what I get is Haram or Halal? Thanks a lot for all your work.

Jazakum Allahu Khairan for your constant help

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Hawa

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It seems that you are not responsible to do anything. There are issues in taxes and international relations that are sometimes complicated many countries collect salary taxes by deduction only and have no system of each person report and her/his taxes on her/his own; and many countries also exempt employees of foreign organization from salary taxes. So regardless of what government there is in the country you live in, if there is not deduction by employer and the law does not require you to do anything!

Wa Allahu A'lam

Wa Al Hamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Adeeb

Sent: Saturday, April 14, 2012

Question: income tax and tax in Islam

As-salamu `Alaykum. Is the concept of income tax allowed in Islam? Can an Islamic government charge income tax? Is this the reason why taxation was abolished in Saudi? Please, explain!

My friend asked me: how does the government of a Muslim country like Saudi run without charging income tax & various other taxes? Are income and other taxes not to be charged by an ideal Islamic state? Were there such types of taxes in prophets' governments?

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Adeeb

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The Islamic system assigns certain kinds of properties to the whole society together (the government is its agent and manager of its property). When the resources from these public properties are sufficient to run the state there should be no taxes. The PRINCIPLE IN THE ISLAMIC SYSTEM IS: THERE ARE NO OBLIGGATIONS ON THE RICH OTHER THAN ZAKAH IF THE AVAILABLE RESOURCES ARE SUFFICIENT TO FULFILL ALL THE OBJECTIVES OF THE STATE. But not all Muslim societies are endowed with natural resources which give huge revenues. Therefore whenever there is need to fulfill the basic functions of the government including taking care of the deprived. Poor and needy, it is permissible to impose additional taxes after Zakah is fully imposed (remember Zakah cannot be used for any other objectives except the 8 categories mentioned in the Qur'an 9:60). When taxes are needed they can be imposed on income and on wealth as it is seen better by the representatives of the society.

What I know about Saudi Arabia is that it has income tax on foreign companies, Zakah on citizens and no income tax on salaries. But whether it adds or reduces is immaterial because SA is not the MODEL of Islamic state.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Shams

Sent: Saturday, April 14, 2012

Question: permissibility of paying tax in USA

As-salamu `Alaykum. Is my paying taxes in America (non-citizen, but tax resident) haram (as in do I commit ANY SIN?) due to the military aid to Israel?

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Shams

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

NO, YOUR PAYING TAXES, AS A RESIDENT IN AMERICA, TO THE AMERICAN GOVERNMENT IS NOT HARAM AND NOT SINFUL. This is because of more than one reason: taxes are part of the American system, if you live there you have to pay them. we oppose the policy of the American government in supporting the occupation in Phalastin but opposition does not mean not paying taxes. Opposition has its channels and means within the law, the American government provides many services to people who live in America, the amount of your tax which goes to support occupation is very small, and finally you have the choice to live in other countries and pay the tax of these other countries, it is a matter of balancing the pluses and the minuses which is more and avoid the evil as much as possible.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Esam

Sent: Sunday, May 20, 2012

Question: Taxes in Islam

Salam

Ustazna,

Further to your response about taxes in Islam, could you confirm if it against Islamic law to charge taxes other than the Zakah and as Saudi Arabia has large oil revenue they abolished taxes in 1975 as under Islamic law they had sufficient resources to fund the country without taxes its citizens.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Esam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Definitely I cannot confirm and determine whether taxes is a given country are legitimate, from Shari'ah point of view, or not because such a task requires a lot of specific study of the economy and public finance of that country.

I can only talk about the general principle or general guidelines in this regard, it is that taxes should not be imposed if there are other resources especially mineral resources to pay for the

budget needs. Of course we are assuming that Zakah is not a tax. It is rather a religious duty which is assigned for specific purposes as mentioned in the verse 9:60.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Tax evasion

From: sajeer

Sent: Thursday, December 03, 2009

Question: concealing income to evade taxes

ASSALAMU ALIKUM

I am a business man who established a business in India. As you know we have to pay a large contribution to Govt as taxes while running the business. I would like to know the Shari'ah perspective on evading taxes and concealing income in a country like India.

Please give me an appropriate answer

WITH REGARDS

My Answer:

Dear Br. Sajeer

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Bismi Allah al Rahman al Rahim

Alhamdu Lillahi Rabbi al Alamin, wa al Salatu wa al Salam ala Sayyidina

Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Taxes are permissible in Shari'ah if there is need for them in the country and imposed in a democratic way. Tax evasion is also permissible provided you do not make a lie because a Muslim must not lie because making a lie is not permissible, "a believer does not lie" was the answer of the beloved Prophet, pbuh. Imposing taxes and evading them and charging fines for that are all civil matters that are left to the law and there is no punishment on the Day of Judgment for them except for lying or making injustice or aggression to other persons or properties.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sharif

Sent: Sunday, January 24, 2010

Location: United Kingdom

Question: wife as a salaried employee to reduce tax

Dear Brother in Islam, salaam Alaykum,

I would like to ask you for an advice about one of my financial dealing.

I work in UK, I have a limited company as well, through which I do locums & use my own money. My question is, I have designated my wife as my secretary whereas she doesn't help me much (shows some amount towards her salary to reduce tax), use my home as my office (a part of my rent towards company) and so on. Is it ok to do those things in Islam to save some tax or will it be included in cheating?

jazakallah Khair

Sharif

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sharif

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

These practices are permissible. You can assign to your wife a part of your income call it salary in order to reduce the tax and use your home as office and claim part of these expenses as business expenses. I am sure your wife gives some kind of help to your work and you do some work activity at home, everybody does this.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sharif

Sent: January 25, 2010

Question: wife as a salaried employee to reduce tax

Asalaam Alaykum,

jazakallah Khair for quick response, sorry for trouble to ask you another question

Even though I take as wife's salary, but I don't give her the salary but use in day to day life but I told her, she may help for moving files & keeping company letters but not actually do anything to help in company?

Sharif

My Answer:

That is plenty of help. Giving you company while working is alone a help that justifies assigning salary to her for tax purposes although it is spent on the family. you are doing fine don't worry and reduce tax as much as you can, do not forget donating to the Islamic center though, it is also tax deductible.

Prof. Dr. Monzer Kahf

From: Ahmed

Sent: Tuesday, June 19, 2012

Question: Hiding sales to evade taxes

Asalamu Alaykum wa Rahmatu Allah wabarakatu.

Dear brother/sister in Islam, my name is Ahmed, aged 20. I have a query to make.

My parents are running a retail shop. Now normally every month, we have to pay tax for every good sold in the shop. Every day, my dad writes a record of the amount of money made in a day okay. We have to pay 3% tax every month. So, for example, the shop makes \$200 a day my dad writes \$100 in the accounts book and out of \$100 we pay 3% tax okay. Now is that permissible in Islam? We do have financial problems back home okay. Waiting for your urgent reply.

Jazaka Allah.

My Answer:

Dear Br. AHMED

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I need more info. What is this tax? What is your country and the authority which imposes this tax? The tax is on what items and what sales? Are sales all cash sales or checks and what items are sold? And many more details, etc.?

Allah Almighty knows best.

From: Ahmed

Sent: Wednesday, June 20, 2012

As-Salamu`alaykum wa Rahmatullah wa Barakatuh,

My country is Zambia, Africa. For every good sold there is a 3% tax which has been imposed by the Zambian government. It can be on any type of good sold. All sales are cash sales. We sell household goods such as pots, detergents, sprays, dishes, baskets, etc...

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahmed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Whatever you collect from customers as a tax should be reported to the government because it is taken in the form of Amanah to give to the government. But if your sale is cash and you may not register a sale in a way that the government did not install any procedure to find out the amount of your sale. Then it is not Shari'ah wise requirement to obey the government laws in regard to taxes. In such a case you may not collect the tax from customers and not of course pay to government.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Paying tax from earned interest

From: Samy, Islam on line

Sent: Thursday, April 03, 2008

Question: Income Tax and earned interest

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullah wa Barakatuh,

I started a company last year. I could not pay income tax that year because it was my first year. Therefore I had to keep it in the bank. This year I will have to pay the income tax of last year with interest. My question is can I use the interest the bank gave me to pay the interest the tax authorities will charge me with? Thanks a lot for the answers.

Jazakum Allahu Khairan for your constant help

Yours, Sami

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sami

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My answer is NO. Interest that you earned is not yours from the Shari'ah point of view. You do not own it. It is still owned by the bank but since it is given by the bank according to its own system and within the law you do not return it to the bank but MUST GIVE IT TO MUSLIM CHARITY. The moment you got it, it becomes due to charity and you never own it.

On the other hand, interest you owe the income tax authority is imposed on you unjustly (or may be justly because you must not delay payment of your legal obligations) but it is imposed on you as a person. This makes it your duty to pay it and you cannot use money that you do not own for this purpose. In my opinion you made a wrong judgment by delaying tax payment and you know it is going to create interest payment. You should not let it do that by paying it on time.

Wa Allahu A'lam

Wa Al Hamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Samy, Islam on line

Sent: Sunday, June 08, 2008

Question: Paying Income Tax from Earned Interest

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh,

1) Can interest from bank deposits be used to pay income tax?

2) If the tax is deducted at source on earned income, can an equivalent amount of bank interest income be utilized for personal use?

Jazakum Allahu Khairan for your constant help.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Sameena

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The answer to both questions is: NO.

The reason is that using interest to pay any of your legal obligations (regardless of whether we judge them just or not) amounts to taking them to yourself. That is a personal use that implies that you took the interest as your own property.

According to Shari'ah interest is not factually earned and must be given to Muslim charity (in principle must be returned to the payer, but since the payer is a bank whose business is to give and take loans on interest you must not return it to this kind of payer).

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Insurance Tax

From: Zarjoon

Sent: Wednesday, July 08, 2009

Location: Saudi Arabia

Question: Airline charges for insurance

Assalamualikum

I'm zarjoon, currently working in travel agency in KSA

My question is regarding insurance tax in airlines

Actually each passenger has to pay tax for insurance, except few airlines.

Insurance is haram in Islam, please give me a fatwa for insurance tax permissibility, because I'm afraid of being involved if it's haram. Can I work this field?

Kindly give me a fatwa

jazakhalahu Khairan

zarjoon

My Answer:

This charge that you call tax is okay if required by the government. Insurance is controversial when it is voluntary not required by law. Also tax alone is the discretion of the government when it is for a specific service given as in this case. It is better to finance such service from fees imposed on the beneficiaries of the service, in this case travelers.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Deducting Zakah payment from taxable income

From: Roomana

Sent: Wednesday, April 01, 2009

Location: United States

Question: can I deduct paid Zakah from taxable income?

Respected Sheikh Monzer:

As 'salaamu Alaykum wa Rahmatu Allahi wa Barakatuh

I had a tax question related to Zakah. I wonder if you could help me resolve it. JazakumAllahu Khayran wa ahsanul jazaae Khair fid darain!

I know that it is permissible to deduct out of pocket expenses incurred for charitable purposes. However, the charity in question is an Islamic organization related to dawah. I was wondering, could I deduct those expenses but also get a reward for it in the hereafter as Sadaqah? or even Zakah? I'm confused.

Barak Allah feekoum

was'salaamun Alaykum wa Rahmatullah!

Roomana and Hussain

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Romana

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes of course InShaAllah you will get the reward from Allah and the tax deduction or refund from the government together. The tax relief is intended to encourage people to donate to these tax exempt/deductible organizations and you have the full legal right to use it for the donations, charity, and Zakah you give to such organizations. The more the government gives you tax relief the better everything is, what is wrong in reducing taxes?! On the other hand, you are helping a glorious cause, the Cause of Allah, He will reward you many folds InShaAllah as He promised in the Qur'an. Please do not worry, getting more tax relief helps you give more charity and get more rewards.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Permissibility of working as a Tax Accountant

From: Abdul Khaled

Sent: Sunday, January 02, 2011

Location:

Question: working as a tax accountant

As Salaam Alaykum wa Rahmatullah wa Barakatuh,
Dr. Monzer Kahf, I am currently studying my bachelors in business and planning on streaming to tax accounting. The question I would like to ask you is: would my job and income be Halal if I work as a tax accountant? I have done some research regarding this topic and a lot of scholars look down upon customs taxes and other indirect taxes. These taxes are considered oppressive and go against Shari'ah laws, resembling the Maks (taxes) which were imposed by the Arabs (and others), on vendors and travelers during Jahiliyah. The Holy Prophet (SAW) also spoke against them in some Ahadith. Tax accounting deals with these taxes but doesn't collect them; it is collected by government revenue agencies. Knowing this, would I be supporting the collection of these oppressive taxes working as a tax accountant? In general, is it better to avoid the accounting profession and stream into something else as many contemporary scholars have also said?

Jazakullah Khair, I will be waiting for your response, InShaAllah.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sultani

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I agree with all statements you made except: as a tax accountant you will be working on behalf of the oppressed not the collector. I also say that there are circumstances where taxes are necessary as a last resort for revenue to sustain the activities of government especially that Zakah cannot be used for that.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Land Taxes and Ushr on Agriculture Products

From: Waqas

Sent: Saturday, October 17, 2009

Location:

Question: Are we required to pay Ushr in addition to land taxes?

Bismillah al Rahman al Rahim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Dear Brother Monzer,

I trust this mail will find you well and you will be enjoying blessings of God.

I got your address from one of my friend who shared your fatwa on Zakah.

I have a question on USHER (Islamic tax on agriculture produce). Details are the following;

I own some agriculture land inherited from my father, who passed away about three years ago.

We have given this land on lease on fixed rentals, there is no clause of usher in the contract.

However, some government taxes are paid by the lessee. We have no control / benefit from its produce.

I WANTED TO KNOW WHETHER USHER IS APPLICABEL TO WHOM 1) ON OUR FAMILY OR 2) ON PERSON WHO IS CULTIVATING ON LAND.

My second question is, we have joint family system but I am living alone (out of our country) I do not take my share of revenue from this land. It's being used to meet needs of my Mother and sibilings. If, as per above question, our family has to pay usher then should I also have to pay whereas I am not taking any share from the land revenue.

Best regards,
Ahmad Waqas

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Waqas

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Zakah (called Ushr in this case of agriculture) is due on both the landlord who receives rent and the farmer who owns the produce.

For the farmer he should deduct the amount of rent paid as his cost and pay Ushr on the remaining amount. In fact he can also deduct other out of pocket payments due on the farming operation and pay only on the net.

For your family, the rate that is due as Ushr is 5 or 10 percent of the amount of rent received depending on whether the land is irrigated by rain/rivers or by animals carrying water to it or extracting it from a well. BUT TAXES AND LIVING EXPENSES OF THE LANDLORD FAMILY ARE DEDUCTIBLE FROM THE AMOUNT RECEIVED AND USHR IS DUE ONLY ON THE NET AMOUNT THAT IS LEFT AFTER LIVING EXPENSES.

Consequently, if the all rent received is spent on the living expenses of your mother and sibilings, they are not required to pay any Ushr (Zakah). You are not required to pay anything because you gave it all for family expenses of mother and sibilings. If they have any left over, Ushr should be paid on it by those who own the saved amount at the rate mentioned above.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Deferred tax on retirement accounts

From: Abdal Rahman

Sent: Wednesday, July 27, 2011

Location: United States

Question:

Salam Alaykum wa Rahmatu Allah wa Barakatuh

Dear Dr Monzer Kahf

My name is Abdalrahman

I work in USA

My job offer 403b retirement plan, that I can't control the option of funds in that plan. I can put extra money in that plans up to \$16000. I tried to ask them to add Islamic fund to the investment profile, they said they can't. From the financial stand point, I'm in the high income range. So putting some money for retirement in tax deferred account is a plus. I plan to leave that job in few years so I will be able to rollover the money to an IRA account that I can control at that time to direct toward Islamic fund. Can I put money in that 403b plan then roll them over later on to Islamic fund, I'm willing to give all the return to charity in the meantime.

Jazaka Allah Khair

Abdal Rahman

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdal Rahman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The point of saving on the taxes alone does not make sufficient reason to invest in this 403b since there are other venues that give you similar tax deferment benefits. However, if there is a matching contribution from the employer, this adds to it and in my opinion provides the excuse. In either case you will need to apply the purification principle. It means that out of any earning (other than your own contribution and the hospital matching contribution) you should estimate the part that comes from any non-Shari'ah compliant companies and give it to an Islamic charity.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf
