

FATAWA TAXES 2013-2015

From: Idriss

Sent: Wednesday, October 09, 2013

Question: Taxes and Mukus from an Islamic perspective

Salamu Alaykum professor,

Could you point me to an article discussing the difference between mukoos and daraa'ib? I really would like a good article on taxes in an Islamic economic system. Because many Muslims are caught up with the fact that income taxes are un-Islamic etc.

Barak Allah feek!

My Answer:

In one words: Mukus are the unfair taxes. In general Islam considers taxes as a last resort, can be imposed if they are necessary. Please read some of relevant papers on this subject on my website.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Basil

Sent: Thursday, January 02, 2014

Question: Avoiding employment taxes

Assalam Alaykum.

I hope all is well brother.

I would like to ask about tax.

What is the ruling on tax in Islam; specifically, employment tax.

Say I have a job, working for someone, and they give me cash in hand instead of making it known to the government that I am working for their company, so that they can avoid paying tax? That would also mean I would be escaping tax?

I myself just want to earn money, and would accept cash in return. What the company does is nothing to do with me, whether they purposefully avoid tax by lying or using tricks or anything else. All I would be employed to do is work for them, collect my wage and go home?

Britain uses tax for all sorts of things. No doubt that they would spend on the public interest like building bridges, repair roads etc., but I'm sure they would finance things that wouldn't agree with Islam. It is very difficult to know 100% what they do with people's money that go towards tax.

There are all sorts of taxes here in UK, as you know.

If I am hired privately to do a one off job, say paint somebody's room, and we agree that the job will be £100, would I then have to go to the tax department and tell them?

Also, If say I have shares making a profit, the government would not usually know, but they say that everyone should declare their earnings. So would it be permissible to take what my shares have produced in revenue, and see it all as my money, despite what they say, just paying Zakah on it when that is due?

Would Shari'ah order me to go out of my way to tell the department of tax that "I have earned such and such amount, so how much should I pay for you"? Or can I withhold this information?

No lying intended.

What should I do?

Salam and Jazakallah Khairan

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Basil

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Avoiding taxes in any country (Muslim majority or Muslim minority) is a matter that has to do with civil matters between you and the government. It is not an issue of religion (although you will find people who like to make it a matter of religion).

You may escape taxes using legal way or illegal ways and you may be caught by the law and then face high fines and may be imprisonment that is between you and the government, not between you and God. One thing come to religion is lying. You must not lie under any circumstances. But lying is different from telling only part of the truth. You may hide things from the tax department or from the government but you should not write in any report any incorrect info. Lying is Haram under any circumstances.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Jan

Sent: Tuesday, June 10, 2014

Question: Mother gifting home to avoid inheritance tax

There is a mother wanting to transfer her home under one of her son's name, but there is an issue. Here in the UK this is possible through a UK inheritance tax law, known as the 7 year rule. The idea is that when the transfer of ownership is made, the person who gifts the property has to live for 7 years for there to be no inheritance tax enforced on the one who was gifted it.

Apart from this condition, there is one more. The one who made the gift is unable to benefit from it for 7 years. This means they are not allowed to live under that roof, nor are they allowed to receive profit from it if rented, because the idea is that it is not theirs to benefit from until the 7 years come to pass. After which, they are able to benefit from it i.e. they can live under the roof if the one who now owns it permits this. The problem here is that the mother doesn't want to relinquish power over her property, and says she'll only transfer the house under her son's name if she is able to stay in the house and benefit from it. In other words, she would only be doing this to avoid inheritance tax while she has no interest in allowing her son to benefit from the property while she is alive.

The only legal way the mother is able to stay in the house and use it as a permanent place of residence, will be as a tenant by which she is subject to paying a rent to the new owner (the son) at a market value. At the moment, the mother receives income from the state, and is letting two rooms in the house and plans to let a third. She has no other residence in the UK, and if she decides to transfer her home under the 7 year rule, she will be obliged to pay rent to her son, which she doesn't like the idea of, unless her son gives her back the money.

The question is, would it be permissible for the mother to stay in the house while they pay a rental market value to the son and then the son give back this money to his mother?

Jazakallah

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Jan

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

From Shari'ah point of view a son can give to his mother anything and she may give him anything too. In this case probably you mean to ask whether it is permissible although it is against the law in UK. Shari'ah does not care about all tax laws anywhere in the world. You may use any loopholes in the tax system provided one does not make an outright lie. To tell a lie in a tax report is Haram because it is a lie not because of the tax system

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hameed

Sent: Tuesday, May 19, 2015

Question: Query Regarding Taxation

Dear Sir,

I work in audit department of my country's tax authority.

Currently the government never publishes the public expenditure details nor inform the public in anyway how the tax money is used. Corruption is very high in the country and everyone knows that senior officials in government is engaged in many corrupted activities. Tax being more than 70% of government income, a lot of tax collected is being misused or used for personal gain of senior officials.

My question is, is it haram for me to be working in the collection of tax since the collected tax is being misused or used for oppression. Some scholars even say tax collected in our country is haram for so and so reason. Our government law states any law which contradict with Shari'ah principles is baatil. However, a court, preferably supreme court must decide whether a law is contradicting Islamic principles.

Therefore, is it my own obligation to check whether tax taken in my country is haram or not, or should I be still working in tax authority since supreme court had made no ruling that says tax is haram?

Hoping for a quick reply

Warm Regards

Muhammad Hameed

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Hameed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

If your country is as you described (which I think is exaggerated) you should not live there and should go to another land to live in. at least you should not work for the government at all in all its departments not only in tax auditing.

I understand the objective of tax auditing in any country is to reduce injustice by either party and as such it is to improve the system not to increase its bad aspects! If so, don't you think that contributing to any improvement is good? If you do good, your job and income must be Halal. But if you do bad both are not.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf
