

FATAWA TAXES 2000-2021

From: Adeeb

Sent: Saturday, July 18, 2020

Subject: New family tax in Saudi Arabia

Question:

Assalaamu alaikum

In Saudi, Is the new family tax being imposed on expatriate's family members dependent on bread winner a legitimate form of tax approved by Islam?

Even for newborn, we need to pay 400 riyal per month.

Is this oppressive indicating also racism/nationalism?

Please advise as there is debate going on in Shoura for its removal and can you please use your influence to help removing it.

This tax discourages expatriates to have families with them and also discourages having children. Many expatriates have sent back home their families. So is this not wrong

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Adeeb

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In a few words, all taxes in Saudi Arabia are in violation of the Islamic system because it has a lot of oil revenues. It rather must reduce its expenses rather than impose taxes.

On the other hands measure to reduce expatriates and force them to leave the country are permissible although they should be implemented with fairness and justices.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net <<http://www.kahf.net/>> ; www.kahf.com/blog <<http://www.kahf.com/blog>>

From: Zeyneb

Sent: Wednesday, October 30, 2019

Subject: government shares with business instead of taxes?

Question:

Dear Prof.

I hope you are well.

I would like to ask you a question. I think you know who Necmettin Erbakan is.

He was the leader of a conservative party called Refah Partisi. He, by the help of people around him which one of them was Arif Ersoy at that time, wrote an economic plan book called Just Economic Order. In this book, one of the arguments is that when they come to power and a system which is compatible with Islam is established, there will be no tax in the form as there is today. Instead, the government, depending on its contribution with its resources and services, would be a profit sharing partner. Even though I am thinking it would be very difficult to plan the contribution of government in different types of production in different sectors, he argues that economists will calculate and announce the ratios at the

constitution. My wonder is, where does their fiqhi support come from? Is there any plan or practice in history of Muslims as such? Also, how would you consider such a suggestion?
Zeynep

My Answer:

Dear Dr. Zeyneb

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I knew Arbakan, Rahimahu Allah. I met him in Jeddah after he was removed from prime ministership in the 1990s. I did not hear about this writing and its content before I can to Istanbul.

I know no source or any Shari'ah support or any historical precedent of this proposal. I think it is not derived from any Islamic idea to the best of my knowledge. I rather argue against it based on the practice at the time of Umer bin al Khattab and before him the Prophet, pbuh. I heard more than one thing which I considered weird quoted from that program about Zakah which I find very strange to me.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: Dr. Mohsen

Sent: Tuesday, January 22, 2019

Subject: Tax on earned interest

Dear Prof. Monzer,

As-salamu alaykum

Hope this message finds you in the best of health and Iman.

I am wondering if you have some time to answer this question:

Anoop

Assalamu alaikum,

Can I pay tax on interest from interest itself? If my bank account has interest and tax on it can I assume tax to have been deducted from interest?

Jazak Allahu khayr

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Anoop

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Usually the bank deducts the tax from the interest credited to your account. In all cases the answer is yes; the tax on the interest is OK to be charged to that interest and give the net earned to charity.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@kahf.com, www.kahf.net; www.kahf.com/blog

FATAWA TAXES 2018

From: Dr. Mohsen

Sent: Monday, July 16, 2018

Subject: About difference between Zakat and tax
and this question too

Salam my father is a road contractor by profession. He earns ma sha Allah a very handsome income. He was asking about the Zakat that he pay almost amount in crores of tax to the state now is he eligible for paying the zakat separately? Or the Zakat be cut from the taxed amount?

2nd He owns a land property that is on the monthly rent of thousands amount. The person who rent the land when pay his rent cut some holding tax now my father who is the actual owner of the land will be obligated to pay the Zakat from the rent money...Which he received after cutting some tax.

Thankyou!

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh The first question was already answered.

For the second question: investment real estate properties are subject to Zakah on the actual value of the property, every lunar year. This may be paid from the rent or any other source. The rent, is money received, so it will be included in the Zakah on cash one owns on the day when is due (or course any spent amount is given and will not appear in the balance when Zakah is due).

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen

Sent: Monday, July 16, 2018

Subject: Tax and Zakah

As-salamu alaykum dear Prof. Monzer,

Please take the time to answer this question: I want to ask about the tax and zakat... my father almost pay very good amount of tax. Will he be obligated to pay the Zakah separately?

Please guide me about the difference between zakat and tax? My father is a road contractor by profession he paid very good amount of tax so now will he pay zakat separately or the zakat that is prescribed for him will be fulfilled by the tax amount.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Zakah is the right of the poor and needy on any Muslim who own property above a small amount called Nisab, it is generally 2.5% of the value of the properties one owns (of course living house and many other personal items are exempt with many more details that need another occasion to give) and it is due every lunar year. It is an obligation on all Muslims.

The Tax is a different matter completely; it is imposed by government to pay for the services governments provide. We all pay taxes because we live in societies and we need governments to exist and give services such as security, society management, judiciary, etc.

One does not contradict the other and each is required on its own merits. Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

FATAWA TAXES 2017

FATAWA TAXES

From: Shamma

Sent: Saturday, October 07, 2017

Subject: Opinion on tax

Question:

Salam, Professor Kahf,

I have a couple of questions on tax.

1. I understand from your fatwas that while payment of tax is not a religious matter, a Muslim should never lie. So is it then proper for me to conceal a part of the income when I am required to sign a declaration while filing my returns that the 'figures shown in my statement are correct, complete and accurate'?

It is a lie, it is not permissible, if it is not a lie it is then OK!

2. What if I deposit a certain portion of my income in the name of a legal entity (Eg a company or a partnership) but don't open a tax file in the name of the legal entity? In that case, since the legal entity is not registered with the tax authorities, no declaration is being made and so there is no misrepresentation – is this justified in Islam?

Using any legal loophole in the tax system is permissible.

Wassalam

Kind regards,

Shamma

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mahfuz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see above:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Tarique

Sent: Wednesday, July 05, 2017

Subject: expatriate dependent fees or taxes in saudi arabia

Question:

Dear Dr Monzer,

Assalamu alaikum wa rahmatullah wabarakatuh

Please give me the answer of below question

- Is it allowed to use bank interest earned money to pay expatriate dependent fee or taxes levied by Saudi government only for expatriate and exempted Saudi citizen people”.
- Is it hallal from Islamic point of view to levied taxes only for expatriate and exempted Saudi people.

Jazakkallahu Khair

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Tarique

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Interest earned is not in fact yours and one cannot use it for disposing of legal obligations because this is money that in reality belongs to the person who gave it to you but since it is given by a Riba-based institution returning it to it increases the evil, then we have to give it to charity.

For your second question, it is a matter of government policy, may be the intent of the government is to make it more difficult for expatriate to live in the country, reduce their net income, force them to send their dependents home, etc. such policies may be sometimes justified morally and sometimes may not be justified morally. When they are justified morally they are permissible in Shari'ah and anything that is not justified morally is definitely in violation of Shari'ah because the foundation of Shari'ah and the mission of the Islamic religion is to improve moral standards and practices as we are told by the Prophet Muhammad, pbuh.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Taheseen

Sent: Monday, May 01, 2017

Subject: tax declaration

Assalamu Alaykum,

Respected brother,

I am feeling dizzy & nauseous because of anxiety over tax matters that I have delayed so far but cannot delay anymore as tomorrow is the extended final day of filing taxes..

So kindly read this mail in detail and reply me back as soon as you can, preferably right away, because I am unable to handle this stress anymore.

I'm trying to rectify many things in my life; and finances are a major part as I made wrong choices and decisions based on ignorance and some out of fear, which again I admit, was nothing but lack of complete faith and tawakkul on Allah.

I especially appreciate that you have never reprimanded me and this fact encourages me to ask you on financial matters so that I can be sure that I'm doing the right thing henceforth.

Today I went to file taxes on behalf of my husband. He is residing and working in Saudi Arabia and my kids and I are in Canada. His approximate earning is 85000 CAD yearly (excluding housing allowance), the local accountant calculated his tax to be 17,400 CAD which is about 20.4 % roughly

The thing is that, just providing for comfortable (not luxurious) life, I have nearly the same amount i.e. 17000 in my bank account kept for rainy day/ emergencies and also collecting to return the loans taken from relatives for part payment of house.

This is going to put us through great hardship, also given the fact that child benefits will be greatly reduced based on the correct declaration. We are in Canada only 2 yrs. and this is 2nd year of paying taxes. I'm ashamed to say that last year I underdeclared my husband's income out of fear of losing money, and received handsome child benefit as a result(we have 4 kids); but my heart has not been at peace because of this, so trying to rectify it all this year.

Yet, I'm still feeling uneasy about the hardship my family will face as a result of all this. Would it be fine to declare only the income that he actually sends to Canada for us, excluding his own expenses of living in Saudi Arabia which again are not luxurious... In fact he even buys only basic food, no extra clothes either for himself, paying only rent, utilities and gas...

In short is it ok to declare only 60,000 CAD yearly as that is the actual amount I receive in Canada from him, and the tax would amount to approximate 8,400 CAD which could be manageable for me. I would still be receiving child tax benefits though reduced.

I would appreciate an early reply as apparently tomorrow is the last day for filing taxes. It took me great courage to write and ask all this and so had been deferring it till I cannot defer anymore...

Jazaka Allah Khair for your patience in reading all this and also for the time and effort that you spend in replying to me.

Regards,

Wassalam

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 Taheseen

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I do not see any wrong in declaring only the 60, 000 as long as this is the amount transferred to you here in Canada especially that the remainder is actually expenses to obtain this amount. He has to be there and spend that amount which is not high at all in order to be able to send you the amount of 60,000. If I were in your situation I feel

comfortable declaring only this much. The difference is actually spent in the process of getting it.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Shakeel

Sent: Monday, February 20, 2017

Subject: Using earned interest to pay income tax

As' Salamu Alaykum,

Is it permissible to pay my income tax from the interest I received from my bank?

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. Shakeel

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

NO. earned interest is not earned according to Shari'ah. it still belong to the other party who paid it. But because it is an interest bank we do not return it. so it must be given to charity. Notice the Haram is in earning it not in nature of money acquired, this is why it becomes Halal to the poor recipient.

Further, the OIC Fiqh Academy, which has about 300 top scholars and experts in Islamics has ruled that you cannot use interest so earned for disposing of your duties to government including taxes even if you believe that these taxes are unjust.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Shakeel

Sent: Tuesday, February 28, 2017

Jazaka Allahu Khairan. Can I pay the tax only on the interest itself from the interest I received and the rest in charity?

My Answer:

Yes, because what matters is the net amount of interest received and this is after its tax. This is what should be given to charity, preferably Muslim charity to go to Muslim poor and needy.

Best Regards

Dr. Monzer Kahf

FATAWA TAXES 2016

From: مجد

Sent: Sunday, October 16, 2016

Subject: التهرب الضريبي

هل لتهرب الضريبي معنظام غير شرعي حرام شرعي؟ معني لو لفتبتفى القرار الضريبي رقم اقل من لا تخفي
أعددت؟ واللفل وسالتي فرت هل تعبر حرام؟

My Answer

الكذب حرام أم اللم عارضه جزاء ولا حرم قسيت حجب الضريبة دون كذب.
أ. د. في ذرق ح ف

FATAWA TAXES 2015

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

FATAWA TAXES 2014

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: 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

FATAWA TAXES 2013

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

FATAWA TAXES 2012

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

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

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 OBLIGATIONS 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

FATAWA TAXES 2011

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

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

FATAWA TAXES 2010

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: 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

FATAWA TAXES 2009

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

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 siblings. 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 siblings, 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 siblings. 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: 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

FATAWA TAXES 2008

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

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: 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: 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

FATAWA TAXES 2007

Subject: Interest & Debit tax

From: Azam

Sent: Thursday, December 06, 2007 8:24 PM

Question

Prof.Dr.Monzer Kahf. Assalamu Alaikum Sheikh!

Since you told that the purpose of this debit tax is ambiguous, I asked about it from many professionals in the banking field.

As per their statements, the purposes of this tax are as follows:

- * Discourage cash withdrawal and encourage savings
- * Discourage the use of cash

In his response to this question, whether this debit tax is deductible from the interest, Sheikh Usthaz Mansoor said that:

"We, as Muslims maintain a savings account in an interest based bank under compulsion, and therefore should always try to minimize the available balance in the account. So if that debit tax deters us from withdrawing money, it may be deductible as withdrawing money is the much preferred way"

Please advise me whether his statement is acceptable or not, and explain your view with this regard.

(Please note that Usthaz Mansoor also instructed me to seek your advice with this regard)

May Allah Bless You! Wa'salam.

My Answer

Dear Br. Azam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't comment on other Ulama's opinions. If you asked him it is up to you to take his view. If he wants my view on it please ask him to write me directly. In the past he wrote to me, as attachment, in Arabic and I answered him in Arabic too.

Best Regards,

Wassalam

Monzer Kahf

From: Azam

Question

Prof. Dr. Monzer Kahf. Assalamu Alaikum Sheikh!

I personally want your Fatwa to this question. Please refer the details (Purpose of the Tax) given in my last mail and be kind enough to explain your view on it.

Please note that, though Usthaz Mansoor wishes to seek your advice, it will take lot of time to the question to be sent. Because he is not fluent in computer and if he wants to send any mails to you, someone who is fluent in Arabic typing should type his letter in Arabic and after that only it could be sent to you. Therefore it will take some times to reach you.

So please send your Fatwa to my question.

Please forgive me that, if I have mentioned anything wrong in my mails.

May Allah Bless You!

Azam

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Azam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If this tax is imposed on any withdrawal, it is then a part of the cost of having the account itself and can then be deducted from the interest that you give away to Muslim charity. But if it is on cash withdrawals to discourage the use of cash, and it is not charged for transfers and checks you write to other persons, it is in this case not a part of the cost of the account but a government penalty on using/withdrawing cash and you pay it not because you have an account but because you do not abide by the regulation of how to use it. In my opinion, in this case it is not deductible from the interest generated that must be given to Muslim charity because it is not related to the matter that cause the generation of this interest.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Does Islam prohibit Tax on Income?

From: Riaz through Islam on line

Sent: Tuesday, November 20, 2007 3:42 AM

Question

Salams Dear Dr.

This is Riaz from Pakistan. In our country lot of Taxes are implemented to generate the revenue for running the Government and also bettering the life of countrymen. Exemples of Taxes are;

1. Import Duty, Custom duty
2. Sales Tax (Calculating upon the Sale of Product)
3. Income Tax (Calculating upon the Income of an Individual)
4. Additional Tax (This is Tax on Tax)

And lot of other taxes that have been paid by an individual to the Provincial, District Governments.

What Islam says upon these taxes? I will thankful to you for your reply at earliest.

Riaz

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Riaz,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Your country is unfortunately ridden with financial corruption in most matters of public affairs. You cannot judge the principles of Shari'ah in relation to what goes on in your beautiful country my dear brother!

The principles about taxes is Islam requires a lot of reading and I suggest to you that you make some study on this matter, there are some of my own website, on IDB website and you will find many in libraries and specialized bookstores. But a few hints can be summarized in the following points:

1. The Shari'ah assigns certain resources, such as minerals, for the public budget so that the need for taxes is reduced.

2. If the government needs revenues for its budget and resources assigned by Shari'ah for that are not sufficient, it can impose taxes but it must observe a few important conditions that include: 1) Taxes must be just in relation to the ability to pay of the person, ability to pay is in terms of wealth and income; 2) the poor must be relieved from taxes as much as possible; 3) taxes can only be imposed if approved by properly elected representatives of people; 4) government spending must be trimmed before taxes can be imposed; 5) budget expenses must take charge of the main Shari'ah consideration such as justice and caring about the poor and not favoring certain individuals, classes or regions, etc.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Subject: Interest & Debit tax

From: Azam

Sent: Wednesday, October 03, 2007 10:58 PM

Question

Prof. Dr. Monzer Kahf. Assalamu Alaikum Sheikh!

I'm Azam from Sri Lanka. One of my cousin brothers was trying to get the student visa to the UK. So in order to get the visa, he was asked to prove sponsorship. Since he is from an ordinary family, he borrowed some money from others and (Approx. Rs.3.5 million = US\$ 35000) deposited in his Savings account in order to fulfill the sponsorship requirement.

But unfortunately (As Almighty Allah's wish), his visa application was rejected. And he returned all the money he borrowed. Same time he received a sum of Rs.20000 as interest. Also he is charged a debit tax of Rs.5000. As instructed by the Islamic scholars, he decided to spend the interest money in prescribed ways and not to use it for his own use. He has two doubts regarding this issue:

* Can he deduct the debit tax from the interest he received?

(He suggests that the tax was charged not for his own money, so that it should be deducted)

* Can he give the interest money as charity for his relative for cleaning work of their house premises?

(That particular relative is facing with financial difficulties)

Wa'salam.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Azam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If I understand correctly, this tax is on the interest that was generated during the period of the deposit. If this is correct, you should deduct the amount of the tax from the interest (I suppose than must have already withheld it at the source?) and give the balance to Muslim charity. You do not have to give the gross amount of the interest. This is not like paying your taxes due on other assets, income or business out of interest. In the latter case taxes are due on other matters not on the interest earned itself, that makes paying them out of interest benefiting you from interest, it is like taking it to yourself. But taxes imposed on earned interest are deductible from earned interest because to you what matter is the net that comes to you, this is that is Haram and should be given to Muslim charity.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Azam

Question

Sorry for disturbing you very often. Thanks a lot for your last reply.

This question is also related to the previous one.

I think the debit tax is NOT on the generated, instead on the money we deposited.

The government considers the money we deposited as an income and charges a debit tax.

If it is so, is it allowed to deduct the tax from the interest?

In another scenario, in a conventional bank, if we withdraw more than Rs.20000 per month from our Savings account, we'll be charged a debit tax of 0.1% on the amount we withdraw. In this case, Is it allowed to deduct the debit tax from the interest generated in the particular savings account. May Allah Bless U. Wa'salam.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Azam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

On the first question I see no problem. I will close my eyes and say: here I borrowed an amount to get the certificate that I have so much money in the bank, I then return the money to its owner, any extra (interest- tax) is interest I give to charity. That is what matters to me the details are irrelevant.

For the second question I need to know more about this withdrawal tax, this is the first time I hear about it, what does the law says about it can you please explain?

Sorry for delaying my reply, I was very much pre-occupied with a few timely issues.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Azam

Question

Prof. Dr. Monzer Kahf. Wa'alaikum Assalam Warahmatullahi Wabarakathuhu!

Never mind the delay. Since it was the Holy month of Ramadan, i know you would have been fully occupied. However Jazakallahu Hairan for your reply.

Belated Eid Wishes for you. Thakabbalallahu Minna Waminkum. EID MUBARAK.

Let me explain that scenario again...

Say that I have a savings account in a conventional bank. And if my monthly withdrawal exceeds Rs.20000/=, I'll be charged a debit tax of 0.1% on the amount I withdrew.

So is it allowed to set off the debit tax against the interest generated in the same account?

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Azam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If the reason of this tax is only for the withdrawal of funds, like a maintenance tax on withdrawal, it may be charged against interest before giving the latter away to Muslim charity. On the other hand if this tax is imposed under other assumptions such as to present extravagance or to reduce the use of cash bills (e.g., it is imposed on cash withdrawals not on checks and transfers) then it may not be deducted from. The criteria I'm applying is whether it is caused by the same reason that generates the interest or not. if it is by the same reason, it is then deductible from interest, otherwise it is not.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Permissibility of Taxes?

From: Sara

Sent: Saturday, June 30, 2007

Question

Assalamoalaikum brother,

I wanted to know the shariah ruling on the taxes that the government charges its citizens? Is it allowed or prohibited by the shariah or does it depend upon the nature of taxes. As far as i know the government charges us taxes because it provides services to us e.g. in the construction of roads, bridges, dams, and other government services. I used to be a government employee. I used to work for Pakistan's space research department. Now as my understanding goes the government takes taxes from the people for the services that it provides them with like the service i worked for. So my salary was probably from these taxes as far as my understanding goes. I may be wrong Allah knows best. I read your fatwa on islamonline.net which says that taking of taxes in

countries such as oil producing countries may not be permitted but what about third world countries such as Pakistan?

There is a philosophy that taxes are imposed upon people but how will the government and the country flourish if the government doesn't charge its citizens for the services provided to them? If taxes are not Islamic then what is the Islamic alternative? And what should the government employees do? I will be awaiting your response inshaAllah.

Sister Sara.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Sr. Sara

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is a very long subject that can't be dealt fairly in an email and I suggest that you make some readings on this issue, there are many writings. Here are a few bullet points that may help put things in perspectives:

1. The Islamic system does not look favorably at taxation and argues that the least of it the better, after all taxes are taking a part of the wealth and earning of people away from them.
2. It provides for a good chunk of the economy as public properties such as minerals and sources of energy. these would normally provide a great deal of budget revenues.
3. Why should the government poke its nose in activities that can be done, and may be much more efficiently by the private sector such as education, health communication, etc.
4. Helping the poor, and social justice can be performed may be much more efficiently through means other than putting too many resources in the hands of government.
5. Very often government spending is loaded with bureaucracy and favoritism, matters that can be minimized when many activities are left to the private sector.
6. There are functions that are wrong to be left to the private, that relate to the core of defending the society and promoting its entirety that must be undertaken by the government and if there are no sufficient revenues from public properties there must be a resort to dividing the cost of these to the society in accordance to individual abilities to pay.
7. Besides if the the society agrees to assign certain activities to the government, it has to provide for means of financing these activities, this is obvious and normal.
8. There is no relation between the source of government revenues and what the permissibility of the salaries of government employees as long as these salaries are taken in exchange of legitimate work provided by the employee.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Taking Money in Child Tax Benefits

From: through Islam on line

Sent: Thursday, March 01, 2007

Question

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

Dear Scholars, I live in Canada and wondering about some very basic information whether they are permitted in Islam. I'd like to know whether taking money in Child Tax Benefits and welfare is acceptable in Islam? Let me explain how child tax benefits pay to a family... Govt. receives taxes from different sources including (but not limited to) alcohol liquor businesses, casinos, and pig farms/slaughter houses. Also, Govt. charges interest/RIBA on individuals who owes Govt. taxes and haven't paid all taxes money even after tax closing date. With Tax money, Govt. makes interest/RIBA based investment because of secure nature of investment. Now, it includes haram money and interest/RIBA which Govt. does pay to people including Muslims as a Child Tax Benefits, welfare and subsidized home living. Knowing all these facts, what do you think taking this money is still acceptable in Islam (one will not die if s/he doesn't take it all)? Also, there's a pension plan called Canada Pension Plan (CPP) which invests in interest/RIBA based securities because of secure nature of investments. Is it okay to take this CPP benefits in Islam? Thanks and seeking your reply. Jazak Allah Khair.

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. Ali

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1) Child benefit: Please do not make life unbearable for yourself and for us too. Once Omar was waking with another companion and some water came on them from a second floor, the companion wanted to call on the people up there to ask whether it was clean or not but Omar shut his co-walker's mouth and looked up saying "" For God, do not tell us! ""

Now, the house you rent was built on interest, so is the cloth you wear and the food you eat. But the Prophet, pbuh, ate from food given to him by Jews, Christians and pagan without asking them where did they get it from, so did all the companions and all scholars and all Muslims throughout history. What kind of ""cold Taqwa"" we want to practice today? Where and how does the other party get its money from is non of our business provided two conditions are fulfilled: 1) we take it from it for a valid legitimate reason; and, 2) we have no assured info that the thing we take itself is stolen or taken unlawfully from its owner.

Applying this rule, Taxes are of course permissible and government grants are also permissible, even taxes on interest or any other activities. Of course, you can take the child benefit as long as it is legitimate by law and you submit the appropriate true documents.

2) The Canada Pension Plan: If this plan is obligatory by the government or as a part of an employment contract, then its basis is the same as insurance and it works on the

actuarial principles of large number and probability. This is permissible in Shari'ah (although there are some scholars who object to it) and it is none of your business what the management of the plan does or how it invests; if it invest in non-permissible thing it is their sin and their Haram not yours. I, along with many other scholars, argue that insurance is permissible. I assume the CPP is of this kind similar to the Social security in the USA.

If this plan is voluntary (like what we have in the States under the name of 401K or IRA), it becomes your responsibility to invest only in permissible equities since in this case it is your decision to manage the funds.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA TAXES 2006

Subject: Claiming Zakah as deduction on tax return

From: Rashad through Islam on line

Sent: Thursday, March 30, 2006

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

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

Subject: Muslims Paying Taxes in US

From: Wael through Islam on line
Sent: Monday, January 02, 2006

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

Subject: Imposing Taxes on Income in a Muslim Country

From: Wael through Islam on line
Sent: Monday, January 02, 2006

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

FATAWA TAXES 2005

SUBJECT: Taxes Imposed by Saudi Arabia and Hajj

From: Islam on line

Sent: Tuesday, April 12, 2005

Name of Questioner Amin

Country of Senders Citizenship Malaysia

Question

Do airport taxes imposed by the Saudi Government make an excuse for Muslims for not performing the Hajj?

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. Amin,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Certainly not! These taxes are part of cost of the trip and Hajj is only obligated on those who can afford, financially and physically, the burden of its trip and functions. It is well known however that the taxes imposed by the government are either for services like transportation or for cost of administration. And it is a known fact that the Saudi government does not make money on Hajj but rather spend, hundred of millions of Dollars every year from it own budget on Hajj and its facilities.

Wa Allahu a'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Faking Accounts to Pay Less Taxes on Income

From: Islam on line

Sent: Tuesday, March 22, 2005

Name of Questioner Nour-Eddine

Country of Residence Morocco

Question

Salamalikoum dear brother and may Allah accept all your good deeds. My question is the following: My wife is a dentist and she has a small house that she is renting where she practices. In Morocco the majority if not 99.99% of the dentist and almost all liberal

jobs are faking their accounts and holding a different accounting from reality in order to pay less taxes on income. The accountant that my wife is using is also saying the same thing and that all the people he knows including the "" moutadayinine"" are doing the same. My question is that whether my wife is allowed to do so, knowing that in the case she has to pay Taxes, the remaining money is really minimal vs the real gains and vs the efforts that she is putting against this. Thanks in advance for your answer and Jazakoumou Allahu Khairane.

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. Nour-Eddine,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Mot tax systems are made with lot of loop-holes that are meant to benefit certain classes of tax payers. Using loop-holes in the tax systems is certainly permissible. What may be wrong is to give false documents because this is a lie. But if there are ways of not revealing all one's income, these ways are meant by the law makers for persons to use!

Wa Allahu a'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Not Paying Taxes to Save Money for Hajj

From: Islam on line

Sent: Tuesday, February 15, 2005

Name of Questioner Ilhan country of Residence Bosnia

Question

Salam, My question is about taxes. I live and work in the U.S., and as a student I have a part time job where I work between 18-20 hours per week. And that is a legal job, without any illegalities. However, about few months ago I decided that after I graduate to go to perform Hajj, and I needed to earn more money than usual so that I can pay for my school, and go to Hajj. Few brothers that live across the street have offered me a job to work in their building, and my duties are to vacuum, clean and throw the garbage, and they would pay me \$40 per week. Back then when I started doing this job (August '04) I didn't know if I have to pay taxes and neither did they tell me anything. I have earned from that job around \$900, and I am willing to pay taxes on that, but what the problem is, they didn't issue me a tax form and now if I report that income both of us are going to be in trouble. I have told them that it is Haram not to pay the taxes, especially for me because I was saving this money to go perform the Hajj. They keep telling me it is their fault, because they didn't have a certain tax number or something like that, but that is not going to help me at all. I have made repentance as soon as I found out that what I did was Haram, and I have told them that next year to issue me

that form, which they have promised. What should I do, I am willing to get rid of the tax percentage that I owe to the government, but I can't give it to IRS, or Sadaqah, because Allah takes only what is Halal. I am going to file taxes from my other job in 2 weeks, so please tell me what to, my intention wasn't to do anything Haram especially not to go to Hajj with Haram money.

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. Ilham,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Paying taxes is not a religious obligation. It does not fall in the Haram or required arena. It is a government obligation and whoever can avoid it without doing making a lie, it is ok to do it not only in religion, any religion, but also in the law of the land, including our country the USA. Whenever you can avoid tax paying using the loopholes in the system it is ok to do that. President Reagan never paid taxes for many years, even with the big income he had because he used the holes in the system. These holes are actually made to be used and smart tax specialists will guide you to them.

You can make Hajj, without any worry, from money you save on avoiding taxes, my dear brother.

Wa Allahu a'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Does Income Tax Replace Zakah?

From: Islam on line

Sent: Thursday, January 27, 2005

Name of Questioner Khadija country of Residence Canada

Question

Assalamu alaikum, Can income tax paid in a non-Muslim country like Canada be considered as Zakat or must we pay Zakat as well as the income tax? A lot of income tax goes toward social programs. Wa alaikum salam

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 Sr. Khadija,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Income tax in Muslim or non-Muslim countries cannot replace Zakah because of the following reasons:

1. Zakah is a Ibadah that must be paid and collected both under this intention.
2. As a Ibadah, Zakah collection cannot be charged to any non-Muslim because it is a religious function.
3. Zakah has to be distributed exclusively to any or all of the eight categories mentioned in the Qur'an, 9: 60, and no part of it may go to any others.
4. Zakah must be paid and/collected at the given rates and on the given kinds of assets/incomes as instructed in the authentic Sayings of the Prophet, pbuh; It is not Zakah if a tax is charged at different rates and on different assets/incomes.
5. Income tax has different objectives, rates and structure than Zakah.

Wa Allahu a'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA TAXES 2006

Subject: Hajj with Income Tax Return

From: Islam on line

Sent: Tuesday, November 23, 2004

Question

from the USA

Dear respected brother, I'm writing in regards to umrah , my question is it the same as to hajj that a muslim's money must be from halal sources. like if a muslim use his income tax return(that is a tax that the u.s. take from you for a year ' s time then return it) sometimes with a little more for there use of it.would this be riba or non halal money to use . thank you, brother in the deen (abu mas'ud)

Jazakum Allahu Khairan for your constant help

Yours,

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Abu Mas'ud

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

A Muslim should only use Halal income for every thing, no difference between Hajj, Umrah, food, education tuition and any other expenses. Tax return money is certainly Halal because it is yours. If in the letter you receive, it is clearly mentioned that the IRS added interest, the interest only is forbidden and you should give it to Muslim charity. Do not return it to the IRS. Then use the rest for any purpose including Hajj and Umrah.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Salaries from Haram Stuff Taxes

From: Islam on line

Sent: Sunday, November 07, 2004

Question

from Malaysia

As-Salamu `alaykum wa Rahmatullahi wa Barakatuh. Dear respected scholars, I have a question regarding government taxing on haram stuff, such as gambling premises, alcohol, etc. What is the hukum of these money? These taxes are among some of the government earnings that are used by the government to pay the salary of the government servants. Can we, the government servants, use these money? Is it halal for the government, and eventually, for us?

Jazakum Allahu Khairan for your constant help, and may Allah reward you abundantly for your cooperation especially in these blessed days.

Yours,

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. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You should realize that these are two separate issues:

1 - The issue of your salary given to you by the government for your work: this is Halal if you do the job needed from you. it is none of your business where does the government gets its money from.

2 - The issue of taxes, and taxing Shari'ah-prohibited businesses: the government may have some Haram income, it is a problem of the government, both the law makers and the executive branch, they should purify the government revenues from any Haram. For Haram businesses taxes are allowed, according to Shari'ah. Government may tax these businesses up to 100% of their income and it will be Halal for the government because Haram money can be taken away by the government. The government should cancel the licenses of Haram businesses and prevent all their activities. Taxing them is the least a Muslim or wise government can do.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Receiving Canada Child Tax Benefit While Abroad

From: Islam on line

Sent: Sunday, October 31, 2004

Question

from Saudi Arabia

In Canada, the government offers what's called CCTB or Canada Child Tax Benefit where they help the parents by paying money for their children's growth. This money is paid to the Canadian citizens and landed immigrants and only to those who are staying in Canada. I am temporarily out of Canada with my family for almost a year. Is it halal to receive and use this money for personal purposes?

Jazakum Allahu Khairan for your constant help

Yours,

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. Abdul,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Receiving child support from the government is permissible provided you do not submit false statements or cheat in documents because lying and cheating are prohibited. Child support is the right of people who live in a country, depending on the domestic laws.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Inheritance and paying taxes out of interest

From: Islam on line

Sent: Wednesday, July 21, 2004

Question

Dear Dr. Monzer,

My father passed away a month ago and left me, my brother and my step mum a house and a financial inheritance. We cannot sell the house because my step um still wants to live in it. The problem is that me and my brother, as co-owners, will have to pay yearly taxes over the house even though we do not live in it and get no return. Now, the financial inheritance is quite high but we will need this to pay the yearly taxes (of around 300-500 euros). If my step um stays in the house for another thirty years even the inheritance will not be enough to pay the taxes, and obviously, living in Egypt, my income is not high enough to pay for them. My brother proposed to put our financial inheritance into a bank account that returns a lot of interest. This would allow us to pay the yearly taxes from the yearly interest and to keep the actual inheritance to use for ourselves. If I don't do this I will lose practically the whole inheritance just paying taxes (and possibly getting into depth in the end). My question is whether it is halal to use interest to pay taxes over a house. I will need to know within one and a half week

because then i will need to sign papers confirming whether i will open such a bank account or not.

Jazzak Allah khairan How much mail storage do you get for free?

Rahma

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. Rahma

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First Let us pray to God to shower the soul of your deceased father with mercy and forgiveness.

I want to make a few points about inheritance clear before we discuss the interest and taxes. And I will assume that there are no other survivors, specifically you do not have parental grand parents. Of course all our discussion is from Shari'ah point of view:

- 1- If you are a female as it may appear from your name, and your step mother is Muslimah and your father did not leave any last will, the distribution of all the assets, together, left by your father (net after paying all debts including already due taxes) is: 3/24 to your stem mother, 7/24 to you and 14/24 to your brother.
- 2- If you are a male, the same will be: 2/16 to your step mother, 7/16 to each of you and your brother.
- 3- If your step mother is not a Muslimah, she is not given any share from the inheritance and all goes to you and your brother either equally if two males or at 2 to 1 ration if you area female.
- 4- If your father left a last will that mentions distribution outside the three of you, such a distribution is valid only up to one third of the net estate as defined above. If the last will distribute to the three of you only in any manner that is different from what is mentioned above, it is not valid at all and only the above distribution is the one that is a must from Shari'ah point of view. Any one who is assigned more than what is mentioned above, even if the law of country where the property is located allows is, must give back to the one who got less in order to go back to the distribution as mentioned above. It is forbidden to take the extra.
- 5- If your step mother is not Muslimah and your father left a last will in which he assigned her some property or some portion, it is only valid up to one third of the net estate and the remainder must be distributed to you and your brother as mentioned above regardless of what is mentioned in the last will. Any thing differently is not valid from Shari'ah point of view and sinful for the taker (of more than the Shari'ah assigned share) and for the person who made the last will.

Now let us come to the taxes:

- a- Of course future taxes will be the liability of the persons who own the taxable property. It is not necessarily the responsibility of you and your brother alone and your share of this liability is proportional to your share in the property.

- b- If your stepmother is going to be an owner of part of the estate (whether by inheritance as a Muslimah or by a last will as a non-Muslimah) and she wants the house, the three of you can agree on the distribution so that her share will be in the house, all or part, this way she is going to be responsible for all or part of the property tax, If she is not going to be getting anything, you can assign a rent on her to pay the taxes and other expenses and may be get some income.
- c- Although technically you are not responsible for your stepmother, but morally and out of kindness to your deceased father you should take care of his surviving wife after his death if you can do it especially if she has no income and she doesn't have sufficient resources to pay for her needs including residence.
- d- Another issue is also at stake, whether she is Muslimah or not. That is the law of the land. Many European countries have laws to the effect that the spouse (in this case the wife) inherits the residence the couple lives in. If your stepmother invokes these laws she is going to win, though not permitted in Shari'ah. But if she wins she will take the house along with the tax liability so that you are not responsible for its taxes.

Putting money on interest to pay the taxes from the interest:

- I- It is forbidden to place money on interest regardless of the purpose, even if it were to give the interest to charity! From Shari'ah point of view the contract itself is not even valid.
- II- If an interest happens to accrue to you for certain reason, you can't use it to pay your liability, even to the bank that pays it to you. You cannot use it for anything that benefits you by giving you an advantage or relieving you from liability; simply because according to Shari'ah this money is not yours and the only thing to do with it is to return it to the payer but we do not do that because the payer (the bank) takes it as a business to earn for interest differential between lending and getting deposits, therefore we treat it as money that has no owner. It must be given to Muslim charity.
- III- In other words, placing funds on interest is sinful, and using the interest for taxes is another sin; both are prohibited.
- IV- There is another alternative; Europe today has several banks that have department abiding by the rules of Shari'ah. such as the newly established Islamic bank of Britain and the Islamic division of the HSBC in UK and may be some other European countries. You can deposit funds in these banks and get Halal return instead of the Riba-based banks.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Asylum Seeker Taking Social Aid from Government

From: Islam on line

Sent: Monday, June 07, 2004

Following is a feedback from a questioner whom we (not your answer) gave Fatwa previously. We will be very appreciative if you read the question and the answer and give him your answer regarding his feedback. Jazakum Allah khairan and may Allah bless you and reward you abundantly for the great effort you do for Muslims all over the world.

Question

from Pakistan

Assalam-oAlaikum,

I am living in Norway as an asylum seeker for covering my expenses i have to take social aid from government. Although i have got work permit but its not easy to find a job because of language problem and the stamp on my ID which shows my asylum status. Every one hesitates to give you any job if they find out that you are an asylum seeker. Still i have got an offer from one shopkeeper but he is not willing to give me white job, means i 'll not be able to get any allowances, i 'll not be able to pay any tax, i 'll not be able to show this job on paper etc. I just wanted know with these conditions am i allowed to do this job 'cuz i need money to support my family, i don't want to take any aid from non-Muslims & specially i want to fulfill my mothers wish of HAJJ. Am i allowed to pay expenses for her Hajj with this job.

Date 4/26/2004 YOUR ANSWER was: "As for taking allowance from the government, it is permissible as it is based on your needs. In view of the government, you are qualified to take the allowance. As for the issue of work, if your work permit allows you to work and your work is halal (lawful) according to the Shari`ah, then it is allowed to work. However, if it is illegal to work without showing your paper, then you are supposed to follow the laws of the country where you live and there is nothing wrong in taking the aid." If you are still in need of more information, don't hesitate to contact us.

Thanks for your reply. With this mail I have understand one thing very clear and that's about social aid. We can take social aid from government if we are in need no matter you are living in a muslim country or in any other religious country. All you have to do is to follow sharia & the law of that country. Now as far as myself is concerned I can live on social aid which I take from government but what about my family back home in Pakistan. I have got family of about 6 persons and their source of income is almost nothing. All of them depends on the money which I send them on monthly basis which is not enough and every time when I talk with my mother & other family members of mine they talk about their problems and then I feel totally helpless and sad. No matter what every body says money matters and that's a fact. When I sked you about the job where I can work without showing my papers and paying tax. I just want to work to cover the needs of my family. I don't want to have this job for fun & I have no intentions to make it a habit. Whenever I will find any white job where i can pay tax & every thing then I will quit this job. But just for time being I want to do this job so that my family can survive. Please reply me in detail. I really don't wanna do any thing which is against the teaching of my Great Religion. I personally think that Islam is not so strict. If you have any serious need then you can do things which Islam doesn't allow in normal circumstances. The job offers which I have is on a Dry Clean Shop and the other is on Fast Food Restaurant but in restaurant they also sell the meet of pig. I am very confused

and have no idea what to do. I need an Islamic solution through which My Allah won't get angry on me and the problems of my family also gets solved.

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Farooq

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I appreciate and generally agree with the Fatwa given to you previously. Yet I have to add certain details as follows:

It is not permissible in Shari'ah to do a job that is religiously prohibited such as serving alcohol or pork. Yet working in a restaurant that serves them is permissible provided your job description does not require you to serve any prohibited substance. It is also prohibited to do any thing that may hurt your future. This means that while disobedience of a local man-made law may expose you to punishment that is usually determined in the law and is not considered a religious violation, it becomes religiously not permissible if it will hurt your future. We all know that violation of law is not a good thing to do, but yet all of us speed drive sometimes, is driving above the speed limit a religious violation? I believe it is not unless if it exposes you or other people's persons or property to any harm. Do violations of the laws that regulate employment, custom duties, taxation, traffics. etc., carry a religious meaning? I argue that they do not carry any religious meaning unless they cause harm to persons and/or properties. Such violations have legal punishment and whoever accept to take the risk of the punishment may do that on his/her own without attaching a religious meaning to his/her action whether positive or negative and unless they cause harm to persons and/or properties they are pure worldly matters not religious!

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

FATAWA TAXES 2003

Subject: taxes and Shari'ah

From: Islam on line

Sent: Tuesday, December 10, 2003

Name of Questioner samah

Country S. Arabia

Question:

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: **شئ من شئ العيس من ا** 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.

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 you 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

Subject: Taxes and the Shari'ah

From: Islam on line

Sent: Saturday, November 08, 2003

Name of Questioner Omar

Country o Norway

Question:

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.

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 items 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

Subject: Getting a Loan to have tax exemption

From: Islam on line

Sent: Tuesday, October 14, 2003

Name of Questioner Hussam

Country of Res. Canada

Question:

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 ???

C

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 Udhibna al Sayyi'at."

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Paying Interest on Delinquent Taxes

From: Islam on line

Sent: Monday, August 25, 2003

Name of Questioner mahtaab

Question:

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

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

Subject: Using Tax Loopholes and Cheating

From: Islam on line

Sent: Monday, August 04, 2003

To: Monzer Kahf

Subject: Islamic view of people cheating with tax returns

Name of Questioner m

Question:

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

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

Subject: Do Taxes Make a Substitute of Zakah?

From: Islam on line

Sent: Monday, May 19, 2003

Question:

Name of Questioner Emira

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!

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 word, 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

Subject: Paying Taxes to Government that Fight Muslim Countries

From: Islam on line

Sent: Saturday, April 19, 2003

Name of Questioner Adil

Country U K

Question:

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)

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

FATAWA TAXES 2002

SUBJECT: Avoiding custom taxes -- follow up

From: Islam on line

Date: December 10, 2002

Name of Questioner Samah

Country Saudi Arabia

Question

Assalamu Alaikum. 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 Allaho 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 شربن اليبس من ا** 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 jazakumullaho khairan and I hope I haven't bothered you. assalamo alikom warahmatullahi wa barakatoh.

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 you 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 scrutinization 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 miner 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

SUBJECT: Avoiding custom taxes

From: Islam on line

Date: October 07, 2002

Name of Questioner

Question

Assalamu Alaikum, I am doing business with other countries. But some countries the government of those countries impose high tax for the product. When doing business, we have to reasonable profit, but in these conditions, it is difficult to make reasonable profit. therefore, for the customs in those countries, order to avoid high tax we tend to produce the papers for the customs tax, lower value than the real value of the product that we import to those countries. Is this procedure that we follow Islamically wrong? The whole procedure is to avoid unreasonable high tax. Was-Salam

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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

all attempts and maneuvers to avoid high taxes are permissible if you use channels allowed in the laws of the country. Using other methods that are not in themselves morally wrong becomes a matter of worldly dispute between the person and the government and there must be no religious value for either action in my opinion. This becomes like violating traffic regulation when you do not endanger any person or property, they do not carry religious value and must not be thought of to be carrying such a value. The Prophet in matters like these said " you know your worldly affairs better (than me)." However, violating government regulations by means that are morally wrong like cheating, lying, bribery, forging currencies and signatures, use of prostitutes, etc. is forbidden in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Avoiding tax on interest earned

From: Islam on line

Date: September 25, 2002

Name of Questioner

Question

Dear Sir, I am wondering about what Islam says on me, where a friend of mine put his money on my account with interest. I don't make any benefit of this money. The use of that for my friend that he won't pay the taxes on his earns. He said that the Riba money will be spent on good work. I hope you answer me in English. Thank u very much.

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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I hope there is no sin on you at all. May God forgive us, all. also please advise this brother of yours that he should minimize the use of interest-based accounts as much as he can and certainly any accrued interest must be given to Islamic charities as a way of keeping his own money clean of the dirt of Riba, he is not rewarded for Sadaqah because Sadaqah must be given from one's own money and accrued interest is not his according to the Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Avoiding declaring custom-taxable items

From: Islam on line

Date: Sept 25/2002

Name of Questioner Samah Country Saudi Arabia

Question

Assalamu Alaikum, 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 live 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, jazakumullaho khairan. Assalamu Alaikum wa Rahmatu Allah wa Barakatuh.

My Answer

Wa `Alaykum As-Salam Wa Rahmatullah 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.”

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Tax payment from earned interest

From: Islam on line

Date: April 14, 2002

Name of Questioner alkishawy

Country Canada

Question

thank you for answering my previous 2 questions. I have a daily question by many Muslims; I will list some facts then the question (1) we receive money from the banks as an interest on our accounts(2) we pay taxes on most item we buy (3) we pay property tax on our homes(4) most of us pay interest on money we borrow from the banks to by

home to live in. I read the fatwa concerning taking mortgage from bank to buy house to live in he confirm that this Haram but he said that some times but not at all time etc I REFERE TO HIS FATWA VG3A9 . NOW MY QUESTION IS (10what to do with the money we receive from the bank as interest to our account [2] can we use this money to pay the property tax on our houses and/or to use it to pay the interest on our mortgage. I told you that I took a mortgage from the bank the same year I immigrated to Canada, at that time I did not know that this is Haram. Dr. Monzer Kahf asked me to more ISTIGHFAR thank you and may ALLAH bless you

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. alkishawy

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The ruling of Shari'ah is that money you receive as interest is not yours. you did not earn it and you got it by means of a forbidden contract, a forbidden contract does not cause ownership. INTEREST EARNED IS NOT YOURS. IT IS HARAM TO TAKE. What to do with it? If it were not from banks the ruling is to return it to the payer. But since it is from banks, you would be helping it make more Haram contracts and looking at you with mockery. YOU CANNOT TAKE AND CANNOT RETURN IT TO THE BANK! THEN WHAT? you have to give it to Muslim charity, help the Palestinians who are suffering from lack of food and water. This is not Zakah or Sadaqah because both must be from what you own, and you never owned this interest you got. You will be rewarded InShaAllah for keeping you own money and assets and stomach clean from the sin of Riba. You cannot use this money to pay your obligations, whether contractual or by virtue of being a resident of certain country.

Obligations of taxes, and interest on contracts you made for mortgage and others, whether sinful or excused, are your and you have to pay them from your money not from money that you don't own. By the way such obligations must be done even though interest is Haram, because you have to fulfill your contractual obligation unless you can compromise it with creditor or the government becomes Islamic and cancel it by law.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Taxes and Zakah and payment of taxes from earned interest

From: Islam on line

Date: March 27, 2002

Name of Questioner Nazir

Country India

Question

A Muslim living in a Islamic country is paying one income tax i.e., Zakah. But a Muslim living in a non Muslim country like India, Sri Lanka should pay two income taxes i.e., Zakah and income tax imposed by non Muslim Government. Is not contrary to the

economic equality Islam proposes? Is there any compensation/concession Islam suggests to the one living in non Muslim country in this regard? Please advise.

Notes

Is it allowed to pay income tax imposed by non Muslim government from the interest earned from bank deposits?

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. Nazir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

My Dear Brother, you made a second question disguised under "note" but any both questions are in my area and I will answer them with pleasure. I shall need to make an introduction or background to each of them.

1- Zakah is not a tax and if I want to be accurate and specific it is not on income either. Zakah is the third pillar of Islam, a worship you give to any or all of the deserving categories enumerated in Verse 9:60. It is a payment but not a tax. It aims at satisfying the needs of the poor and deprived and spreading social/ economic justice between people of the same area, locality or country. Taxes are payment to governments by virtue of its being the socio political authority that administer the society/country. Since Zakah has specific objectives and recipients to the extent that it cannot be spent outside these categories, taxes are needed in any society, Muslim or non-Muslim alike. Therefore all Muslim countries and all non-Muslim countries have their own taxes, on income and/or assets and properties. They all need to spend on government employees, judges and police, roads and bridges, etc.

Zakah is not on income but on savings. because it is a religious obligation, it is lean and moderate and merciful, it does not burden the payee. it is to be assessed and paid on savings rather than total income. You may like to look at my website www.kahf.net and look at the Calculation of Zakah in North America for an example of how to calculate deductions from income when you want estimate your Zakah. In brief: you deduct all actual expenses, taxes, gifts, costs of travels and Hajj, giving for charity, to reach what is actually left over. Or simply suppose all you have is in the bank and you start from zero balance, look at the end of a lunar year from the beginning of your employment year, if you have a Nisab (# US\$ 1000) you pay Zakah at 2.5% of the balance. If this is less than the Nisab, you don't owe anything.

2- Interest you get from anybody is not yours at all. According to Shari'ah this interest money is still owned by whoever paid it to you. What you do with it? give it back to the payer, whether Muslim or non-Muslim, and whether in a Muslim country or anywhere else. BUT if the payer is a bank or a professional interest-based money lender, you do not return the amount of interest to the bank or money lender because doing so amounts to helping it/ him making more lending for interest besides making fool of you. A Muslim must not allow herself/himself to be cheated or made fool of. Hence, interest taken from banks or money lenders must be given away to Muslim charity because it is

not yours. You cannot use interest to pay taxes, never mind the country, because taxes are your duty that you must pay from your money.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: consideration of tax reduction in house purchase on interest

From: Islam on line

Date: March 21, 2002

Name of Questioner Ahmad

Country Australia

Question

Assalamu Alaikum Wa Rahmatu Allah wa Barakatuh. Dear Olama, I have read many of the articles on this site regarding the borrowing of loans with interest (Riba) to purchase a house or to make a business from. I'm a strong believer of Riba is forbidden, but I have live a long time in Australia and I have been paying rent for so long, yet I can't save enough money to buy a home. But I have been doing my research on the many ways it can be done, unfortunately they all involve Riba. After reading some of your Fatwas I saw that buying your first house in a non-Muslim country with a loan is permissible provided it is under extreme circumstances. I have more than one question, what makes me decide what are extreme circumstances? I pay rent and I live well Alhamdu li Allah, but I know if I keep going like this I will never own a home. But I'm not going to die if I don't own a home. So is this the circumstances or is it not. And how do I decide before taking such a step? My other question is, in these countries (Australia) you can do many things to own a home, and they involve dealing with interest and using the tax system to your advantage. In these countries it might be easier to buy a house on interest and then claim that interest back from the amount of Tax you are paying with your job. This means you buy the house with less money from your pocket, in fact it could mean buying a house with very minimal expenses. In this instance you would have to declare the house as and investment and not live in it for a while so this is like a business , but the intention is to finally own that house so you can live in it. What I'm trying to say is, is it OK to try and buy your first house with the use of the Tax system and investment to pay for it much quicker and finally paying less interest and owning it much faster then if you were to buy it normally. I hope the above was not too long, your assistance is greatly appreciated. Jazakum ALLAH khairan. Wa'salam alaikum wa rahmatulahi wa barakatuh.

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. Ahmad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am sorry that I may end up with little help to you. For the first question I will return it to your own heart as it is the only one that can decide on your true needs. The

circumstances are not 'so extremes' not a matter of life and death but a matter of loss of convenience and living under hardship (not extreme hardship). Since such conditions affect many Muslims, in Australia and other Western countries (though Australia is not in the West!). Allah Ta'ala did not decree that All Muslims who live in the West must remain poor! People differ in the value they give to different needs, financial, social, educational, etc. And you are the only one who can determine your need.

For the second question, the laws normally like you to take as much advantage of privileges given as you can, and the Shari'ah urges you to pursue your economic interest the best way you can, without violation of any of its rulings. This means you make payment and get rid of an interest mortgage as fast as you can.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Getting cash payment to avoid income taxes

From: Islam on line

Date: Feb 12/2002

Name of Questioner Nawfal

Country Belgium

Question

As-Salam 'Alaykum wa Rahmatu Allah, I want to thank the sheikh that takes time to provides us with answers. And I hope InShaAllah that Allah (swt) will grant you paradise. I have a Q concerning taxes that the government takes. I mean, my boss asked me to pay some of my hours that I spent in the office in black (i.e. no taxes in). Is this allowed in Islam?? If I take this money, then I would be cheating on the government. Is this also Haram to work in black, in my spare time I develop websites that I make for small customers. And normally I have to pay taxes for this, but in order to do so, I have to inform the government that I do this. But if I do this, they take a lot of taxes of what i earn. Is this all allowed? thx for your answers in advance wa salaam 'alykum

My Answer,

Bismi Allah al Rahman al Rahim,

Alhamdu li Allah Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala Alihi wa Ashabihi Ajma'in,

Dear Br. AbdulHameed

Tax payment to the government is not a religious or a moral matter. It is the socio-political system that that you either live with or try to change it by gaining sufficient number of people to your side that you can win a desired change, or you quit and find yourself another place to live.

The outcome of this introduction is that if a given tax system has loopholes, they are meant by the legislature to be utilized. You certainly can go ahead and benefit from all the loopholes in the system and saving on taxes is not by any means immoral. It is normally called for by the system itself and its advocates such as the Tax authority in the USA (IRS). The system is such that payments not recorded in the books are not subject

to Taxes and government is getting plenty of taxes from revenues recorded in the books. You don't need to worry about such our of the books small amounts.

Wa Allah u A'lam

Dr. Monzer Kahf

FATAWA TAXES 2001

SUBJECT: Avoiding recording cash sales to avoid sales tax

Date: From a live Fatwa Session on Islam on line,

June 20, 2001

Name Omar

Question

Assalamu Alaikum Dr. Kahf,

I am running a business, in a non-Muslim country. We sell jewelry and watches and also do repair. I have 2 questions... and they are about doing business. 1 we get a lot of customers who want to do a trade in when they want to buy something from us. Example they like something for \$150.00 and they have a silver chain which weighs 70 grams. They trade in the chain we give them credit toward the purchase of the \$150 charm. So we give them for instance \$50.00 for there chain and then they owe us \$100.00.

Is this permissible or not?

2 Is it allowed to sell something and not ring it up on the cash register and put it in the Safe. That way it does not show up on the sales record. Now this is the owner of the business who does this and he has paid for the merchandise himself in cash?

Wa Jazaak Allah Kher

My Answer

As-Salam Alaikum wa Rahmatu Allah

Al Hamdu li Allah wa al Salatu 'ala Rasuli Allah

The first question is about a jewelry transaction that involves exchange of gold, silver, and cash. The way this transaction should be made is there ought to be immediate delivery at the time of the transaction on the spot of all the ingredients; that is the silver given by the customer, the gold given by the store, and the cash difference give in between. Otherwise Riba al Fadl will be involved which makes the transaction forbidden. The Prophet SAAS said that if you make an exchange transaction of gold for silver, or money for either of them, it must be: "Yadan bi Yad". That means delivery of all the involved components on the spot. In another narration " Haa bbi Haa" which means give and take immediately. It doesn't matter whether the transaction is made with Muslims or non-Muslims. In the example you mentioned, you may divide the transaction into two segments if the quantity of silver given by the customer is divisible in a way that you buy silver for the \$50 cash that you give and you keep the rest of the silver as a deposit (amanah) until the customer comes back to make transaction for the rest of her silver.

The second question is a tax question. The Shari'ah does not prohibit using all the loopholes in the tax system as long as working within the law. President Reagan is known to have escaped payments of taxes for a long time by means of using the loopholes in the taxation system.

Wa Allahu A'lam
Sincerely
Dr. Monzer Kahf

SUBJECT: Is income tax forbidden?

From: dialogue@islam-online.net

Date: 3/13/2001

Name of Questioner

Question:

Is the income tax the government takes from us considered stealing? They take almost half of the money we earn and work hard for.

My Answer:

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1) Income tax and other taxes government take from their people are definitely not stealing, and it is too improper to describe them as such.

2) Taxes governments take may be either permissible or not depending on why they are imposed. It is Haram for any government to impose taxes in order to use the money for aggression and injustices on its own people or on other people.

Taxes enacted democratically, (I insist on using the term because it is specific, and the meaning of the word Shura as it is in the books of Fiqh and in many minds is not strict nor specific), and used to provide services to the public as approved by elected representatives, are certainly permissible.

However, the Islamic public finance system, to my understanding, does not allow taxing people if there are sufficient financial revenues from minerals and other public properties. In other word, in almost all oil countries taxing people may not be permissible.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

FATAWA TAXES 2000

SUBJECT: Avoiding taxes by using the system's loopholes in France

From: scitech@islam-online.net

Date: 10/25/2000

Question:

I'm studying in France and a Muslim, to avoid paying taxes on his money, gave me some checks to put in my banking account because I'm a student and don't pay taxes. What does Islam say on this matter?

My answer:

Dear Br. S M Assalamu Alaikum,

In my personal opinion, there is a great deal of injustices in most tax systems all over the world: Many unneeded taxes are imposed, the poor are often overcharged with taxes, and the tax proceeds are very often used for causes that do not serve humanity nor the real interests of people.

All tax systems have loopholes and I don't see any thing wrong in avoiding taxes by using the system's loopholes.

Two things a Muslim is always required to maintain:1) to avoid any immoral action, so that shame is not brought on a Muslim, and 2) to avoid any clear violation of the law of land as much as possible, so that a Muslim is not exposed to penalties.

Wa Allahu A'lam,

Sincerely,

Monzer Kahf
