

# REFUELING AN ISLAMIC GOVERNMENT

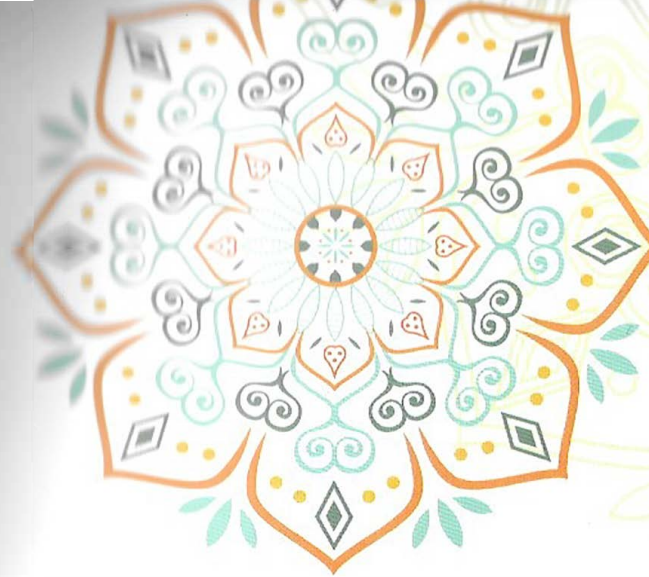
The success of the Islamic Government in the era of Umar al-Khattab and Umar Abdul Aziz in eradicating poverty in the state is commonly acknowledged. What has been conducted in their days to make this poverty eradication a success and what are the tools and mechanism that has been utilized? This book, "Refueling an Islamic Government" has the answer for this question. "Refueling an Islamic Government" is an interesting book to read. It manages to shade a light on the sources of wealth in administering an Islamic government. This book consists of two major elements. First, the ordained Islamic financial instruments that being used in the early days of Islam. The divergences between Zakah and other Islamic taxation tools including Jizyah, Kharaj and 'Ushr will be brought to surface together with their similarities. The second element for this book is a brief explanation on the right of an Islamic Government to impose additional taxes besides of these ordained instruments. Generally, an Islamic Government entitled to impose additional taxes but, several conditons must be fulfilled before doing it so. This book is a must for anybody who wants to have a general yet sufficient knowledge on zakah and Islamic taxation system.

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**PENERBIT**  
Universiti Sultan Zainal Abidin



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## PREFACE

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In the name of Allah Most Gracious and Most Merciful. Alhamdulillah, all praises be to Allah s.w.t. because without those blessings and mercy, this book would not become possible.

The administration of government requires the fulfilment of several essential conditions and one of the conditions is having sufficient financial resources. Each government must take full responsibility in providing what is needed by its people. In doing so, each government must use its financial resources productively. In the mean time, the government must try their best to build their wealth. Some governments tend to pay more attention on the industrial sector while others may resort to the agricultural sector. The service sector, including tourism and health, also contribute to a state's wealth resources; however, in many cases, these wealth resources are insufficient. These situations necessitate the government to utilize the main tool in order to increase their revenue for example by imposing the taxation. The insufficient amount of revenue is commonly happening to the government and it also happens to the Islamic government. Islamic government, solving the problem by resorting to taxation; Islam therefore, has its own taxation system.

This book is a small effort to spread the beauty of this Islamic system. Islam has paid intense attention to the important role of economic in human life. Therefore, Islam allows its followers to wisely use the world's resources to the best of their potential in a spirit of justice, and brotherhood towards human beings. In doing so, it is not only subjected to the fairly distribution of wealth, but also subjected to the collection of wealth by the government be conducted fairly. Islam has ordained its own mechanism in empowering a government

financial. This mechanism consists of the *Zakah* and Islamic taxation systems.

This book consists of two major elements. First, the ordained Islamic financial mechanisms that have been used in the early days of Islam. The divergences between *Zakah* and other Islamic taxation tools including *Jizyah*, *Kharaj* and '*Ushr* will be brought to surface together with their similarities. The second element for this book is a brief explanation on the right of an Islamic government to impose additional taxes besides of these ordained mechanisms. Generally, the Islamic government entitles to impose additional taxes, but it needs to consider several conditions that must be fulfilled before doing so.

Last but not least, the author also would like to thank family members and friends who had lent helping hands in preparing this book. Thousand thanks to my mother, Sharifah Sariah binti Omar; my father, Engku Ali bin Engku Endut; my wife, Wan Najmiyah binti Wan Yussof; my son, Engku Muhammad Najmuddin; my mentors, Assoc. Prof. Dr Aznan Hasan, Prof. Dr Zuhairah Ariff Mohd Ghaddas, Prof. Dr Haseeb Ansari; and everybody who has unhesitatingly helped me in composing this book. In addition, I would like to express my particular thanks to the Faculty of Islamic Contemporary Studies, Universiti Sultan Zainal Abidin and also the UniSZA Publisher. May the blessings of Allah be with you always.

As a human being, the author is not spared from doing mistakes. Mistakes may occur in this writing. Therefore, the author welcomes any comment and reflection from readers. All in all, perfections are exclusively belonging to Allah and the weakness is from the author himself.

## CHAPTER 1

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# The Islamic Economic

## Introduction to Wealth

Economy relates heavily to wealth. Wealth according to the Webster Dictionary (2018) refers to all properties that have money value or an exchangeable value. It can also be understood by all material objects that have economic utility; especially the stock of useful goods that have the economic value at any one time. On the other hand, Oxford Dictionary (2018) defines wealth as an abundance of valuable possessions or money. It also defines wealth as plentiful supplies of a particular resource.

Wealth is also known as *al-amwal* in Arabic. *Amwal* is a plural form of *mal*. *Mal* generally means anything that is owned by man. It also means anything that is permissible to be benefited by man (Muhammad Rawwas Qal'aji and Qunaibi 1985).

Therefore, the Muslim jurists also have their own opinion on what wealth is. The *Hanafi* jurists themselves have provided various definitions of wealth. Ibn 'Abidin (1979) for example defined *mal* or wealth as something that is desired by human nature and can be put aside against time of necessity. Similar definition can also be found in *al-Majallah*. Furthermore, article 126B of *al-Majallah* elaborated that wealth may be in movable or immovable forms. Movable form of wealth refers to the wealth which can be transferred from one place to another. Article 128 of *al-Majallah* further elaborated wealth that included cash, merchandise, animal, and thing is estimated by measure of capacity and there is wealth estimated by weight.



Immovable form of wealth refers to the wealth such as houses and land which are considered as the real property and cannot be transferred to another place as being mentioned in Article 129 of the same reference.

On the other hand, the Maliki jurists defined wealth with several definitions. Ibn 'Arabi (n.d.) for example defined it as what is desired by human and can be benefited according to the surrounding custom and *Shariah*. 'Abd al-Wahhab al-Baghdadi (1999), however defined it as what is valuable and permissible to have compensation from.

Al-Zarkhashi (1982) from the Shafi'i school of thought defined wealth as whatever that benefits or can be benefited from. On the other hand, al-Sayuti (1979) said that al-Shafi'i defined wealth as anything that having value to be sold and whoever destroys it must pay compensation for it. The Hanbalis defined wealth as what is totally permissible to be benefited from and kept although without any needs (al-Bahuti 1996).

Thus, from these definitions, it can be concluded that in order to consider anything as wealth, several characteristics must first be met. Among of these conditions are, the said thing must be something that of desirable nature among ordinary people. Another condition to entitle anything to be considered as wealth is that it can be benefited according to the custom and *Shariah*. In other words, the said thing must have value. Hence, whoever destroys it must pay compensation to its owner. This is supported by the fact that Allah forbids us from taking the wealth of others wrongly. Other people's wealth can be taken through the ways that have been prescribed under the law. It can be through business activities which involve selling and buying. Islam has outlined certain conditions to ensure that the selling and buying of any wealth are valid. Among these conditions is that the wealth must be benefited (al-Bayjuri 1994). This means anything that cannot be benefited from is not wealth and therefore is not valid to be sold or bought.

## Islamic Economics

Islam has paid intense attention to the important role of economic in human life. Therefore, Islam has taken preventative

measures to avoid unfavourable sequels of economic injustice. These preventative measures can be grouped as an Islamic economic system which aims to guide man on how they should use their restricted sources to fulfil their overwhelming desires in a proper way that will never contradict any of the Islamic teachings.

Islamic economics is comprehensive and independent. Its theory defines economic principles in conformity with Islamic law and takes into its consideration the material, spiritual, social and political aspects of human life. Mohamed Aslam (1997) believes Islamic economics is an approach to interpreting and solving man's economic problems based on the values, norms, laws and institutions found in, and derived from, the sources of knowledge in Islam.

Like many other economic systems, Islamic economics system aims to establish economic ideals such as efficient and equitable use of resources, full employment and satisfaction of basic human needs. However, it differs radically from man-made laws in defining economic problem by adding a moral and religious element. Whereas the conventional economics systems are based on principles such as scarcity, self-interest, opportunity, cost-benefit and free functioning, Islam allows its followers to use the world's resources to the best of their potential in a spirit of justice and brotherhood towards human beings. It also acknowledges the basic commitments of market economy, such as the right of private ownership of enterprise and competitive surroundings. Islam, however, embraces a more balanced approach and considers that the possession of material should have a spiritual element. Islam believes that economic activity shouldn't be a monotonous bustle or competition among people but a route to a fair growth through participation. This will help in limiting and guiding self-interest and individualism to be in harmony with public interest and the society. Islamic economics system is also based on certain key policies such as the prohibition of *riba* (usury), the spiritual-material mix of success, the private-public mix of ownership, *Zakah* and *waqf*, the overall rule to legalise all businesses, contracts and investments is they must only support activities or products that is *Shari'ah* compliance (Financial Islam 2018).



Therefore, in Islamic economics system, the precise amount of financial income and expenditure, imports and exports, and other economic statistics, although important, is not necessarily the only concerns. The more important dimension that must be concerned with is the spirit of the Islamic economics system itself (The Religion of Islam 2006).

## The Sources of Islamic Economics

The Qur'an and Sunnah are two fundamental sources of Islam, no matter what aspect it is. These two crucial sources provide Islamic economics system with the divine guidelines for economic behavior and a blueprint of how the economic system of a society should be organized. That is the reason it is not surprising when all the values and objectives of Islamic economics system must satisfy and abide by the principles derived from these fundamental sources (The Religion of Islam 2016).

Muhammad Baqir al-Sadr (1982) in his book, *Iqtisaduna*, emphasized the importance of studying Islamic economics system as a part of the overall system of Islam itself. This is because Islamic economics system correlates with every aspect of Islam such as faith, the Islamic perspective on the universe and life, the financial policies of the state, the Islamic political rules, the effort to eliminate usury and promoting social balance, the rules of *jihad* that arrange the relation between Muslims and non-Muslims during war and the correlation between Islamic economics system with the Islamic criminal law.

The nature of religious nature in Islamic economics system is the element that differentiates Islamic economics system from the other economic systems. This nature enables Islamic economics system to be successful and competent in securing the social interest (al-Sadr 1982). This nature also makes the principles of Islamic economics differ from other economics systems.

## The Principles of Islamic Economics

Islam is a complete way of life and does not only regulate the act of worshipping Allah, but also introduces system that will bring happiness in this world and the Hereafter. The foundation of this system is *Shariah* which is a guide for all human conducts in every aspect of life. According to the *Shariah*, the conducts of the individual, society or government are classified with regards to their legality into five categories, namely: *wajib* (obligatory); *mandub* (recommended); *mubah* (permissible); *makruh* (discouraged); and *haram* (forbidden) (al-Zuhayli 1986). The basic sources of *Shariah* are the *Qur'an* and *Sunnah*. This is stated in the *Qur'an* which means:

And [mention] the Day when We will resurrect among every nation a witness over them from themselves. And We will bring you, [O Muhammad], as a witness over your nation. And We have sent down to you the Book as clarification for all things and as guidance and mercy and good tidings for the Muslims.

(*al-Nahl*: 89)

The *Sunnah* further explains the general rules of *Qur'an* with the practical application by Prophet Muhammad s.a.w. Allah says which means:

We sent them] with clear proofs and written ordinances. And We revealed to you the message that you may make clear to the people what was sent down to them and that they might give thought.

(*al-Nahl*: 44)

The expansion of the regulative principles of *Shariah* to a new matter in current situation were accomplished with the contribution of *Ijma'* (consensus of the Muslim jurists), *Qiyas* (analogical reasoning - where rules are derived by discerning an analogy between new problems with those existing in the primary resources) and finally, through *Ijtihad* of scholars specialized in the *Shariah* (Zaydan 1987). These five resources namely the *Qur'an*, *Sunnah*, *Ijma'*, *Qiyas* and *Ijtihad* are the components of *Shariah* and considered as the basis for governing every aspect of our life including social, political and economic systems.



The broad perspective of Islamic economics system does not tie itself with any specific timely methods and techniques of economic production or any details of organisational patterns and mechanisms (al-Mawdudi n.d.). By doing so, it will only limit the relevance of *Shariah* as an evergreen law. The timely methods, details of organisational patterns and mechanisms are left to be decided by the Muslims in accordance with the specific needs of their community in their localities and at their times. This practice is supported by the Islamic legal maxim of "*al-'adah muhakkamah*", which means that the existing custom of a certain place and time can be used as a basis in finding the Islamic rules for an act (Zaydan 1987). The most important factor in determining the suitable method and mechanism to be utilized is that the underlying *Shariah* principles first need to be observed and strictly followed. These principles are laid down in order to ensure that the entire economic activities do not violate the Islamic teachings in any way. These principles are as follow:

#### **Allah is the Owner**

Understanding the concept of ownership in Islam is one of the foundations of behaviour whether on the part of the consumers or producers. As being mentioned by Anas Zarqa (1989), "When man is born, he is, ushered into the cosmic banquet prepared by Allah for him. This banquet includes not only the material of the Earth and the universe, but also Allah's law, man's own body, soul and mental abilities, etc. All these are the creation and the property of Allah alone". Allah says which means:

To Him belongs what is in the heavens and on earth and all between them, and all beneath the soil.

(*Taha*: 6)

When the concept of 'Allah is the Owner' is rooted in one's heart, man will absolutely acknowledge Allah's right to grant him certain limits of the enjoyment and wealth. Man will realize that although the wealth is in his hands, he must always remember the reality is Allah is the owner of everything and He is the one who has power over everything. Hence, man is bound to acknowledge Allah's right to designate other individuals or the community as the rightful claimants to a particular share of

that wealth (Anas Zarqa 1989 and al-Qaradawi 1981). In reality, man is merely appointed by Allah as His *khalifah* (vicegerent) on the Earth. Allah says which means:

And [mention, O Muhammad], when your Lord said to the angels, "Indeed, I will make upon the earth a successive authority." They said, "Will You place upon it one who causes corruption therein and sheds blood, while we declare Your praise and sanctify You?" Allah said, "Indeed, I know that which you do not know.

(*al-Baqarah*: 30)

Thus, man's rights in everything, including his wealth and life, are circumscribed by the limits dictated by Allah and should be exercised in line with what has been granted by Him.

This principle has lead the Islamic economics system to differ from the others in term of despite giving the Muslims freedom in their economic life, this freedom is limited to the restriction area which has been prescribed by the *Shariah*. The determination of this restriction is based on the Islamic spiritual and manner values (Muhammad Baqir al-Sadr 1982).

A careful look into Islamic economics system reveals that all the systems such as the Islamic commercial, financial, *zakah*, taxation and others were dictated by Allah to guide man on how he may gain, benefit and finally spread the wealth entrusted to him by Allah. Allah says which means:

It is not righteousness that you turn your faces to the East or to the West; but the righteousness is to believe in Allah, the Last Day, the Angels, the Book and the Messengers; to spend of your substance out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask and for the ransom of slaves; to be steadfast in prayer and give *Zakah*; to fulfill the contracts which you have made, to be firm and patient in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the Allah-fearing.

(*al-Baqarah*: 177)

*Zakah* for example is declared as one of the rights of Allah and at the same time is the right of a man. It is a right of Allah in the sense that He is the Creator of human beings, the Sustainer and Bestower of wealth. It is therefore, obligatory for human to express his gratitude to the Almighty Allah by helping



	the Islamic state as an exchange for the protection and security that they enjoy.
<i>Kharaj</i>	Land tax. Tax imposed on the owner of the land ( <i>riqab al-ard</i> ) and was paid on behalf of that land.
<i>Majelle</i>	The Ottoman courts manual.
<i>Majus</i>	The fire worshipper.
<i>Maslahah</i>	Interest commonly in term of gaining benefits and avoiding harms.
<i>Miskin/Masakin</i>	A <i>miskin</i> , on the other hand, is one whose wealth and income fall short of satisfying his or her essential needs.
<i>Nisab</i>	Minimum rate to impose <i>Zakah</i> .
<i>Sibghah</i>	Literally means dye or coloring. Majority of the Muslim jurists interpret it as the religion ( <i>deen</i> ).
<i>'Ushr</i>	An indirect tax levied on merchandised goods that cross the border of the Islamic state whether entering it or leaving it.
<i>Zakah</i>	Giving out certain types of wealth to those who are entitled for it under several prescribed conditions.

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