

Pakistan's Revenue and Expenditure under the Khilafah

Pakistan's Current System Secures the Economic Interests of the Kafir Colonialists

Sufficient revenues in the state treasury are essential for looking after the affairs of the people and managing the state expenses, such as the armed forces, health and education. However, in Pakistan's current system, both democracy and dictatorship take turns to secure the economic interests of the kafir colonialists. To achieve this, the World Bank, IMF in cahoots with the government selectively employ humiliating policies of regressive taxation and privatization. These policies deprive the population of public ownership of huge sources of revenue and then leaves the people to take the burden of the expenses of the state, by imposing an entire host of regressive taxes that choke economic activity and add to the people's misery, usurping what private wealth they have left. Even though there is no Zakah upon the poor and indebted in Islam, the current system applies regressive taxation on buying food, clothing, shelter, earning, inheritance, administration, health and education, renders them "luxuries" for the "privileged" few, and not guaranteed needs for all.

Moreover, on the expenses side, the expenditure is primarily to secure the needs of the kafir colonialists and a corrupt local elite through the interest based debt system they have created. In the coming financial year, the rulers will spend over three trillion rupees upon making payments of interest, even though interest is a major sin in Islam and an invitation of war from Allah (swt) and His Messenger (saw). Rather than refusing to pay the 3 trillion rupees in interest as Islam mandates, Pakistan's rulers will be taking even more interest-based loans, to help cover the 3.5 trillion rupees' federal fiscal deficit. Thus, the current government is plunging Pakistan deeper into interest-based debt, as every previous government has done. In 1971, Pakistan's debt was 30 billion rupees, but by 1991, it rose to 825 billion rupees. By 2011, Pakistan's debt soared to 10 trillion rupees and now it has quadrupled, approaching 40 trillion rupees, just ten years later.

This is the reality of Pakistan's revenue and expenditure under the colonialist system no matter whosoever comes to rule, and regardless of whether the appearance of the rule is democratic or dictatorship. And this is because in democracy and dictatorship, men decide laws according to their whims and desires rather than implementing all that has been revealed by Allah (swt).

Depriving the Society of Revenue from Public Properties

Capitalism as implemented by both dictatorship and democracy in Pakistan deprives the state and the general public huge sources of revenue, through privatization of the public properties, such as oil, gas and electricity. Local and foreign owners of the oil, gas and electricity assets generate huge revenues and sizeable profits from these valuable resources. Unlike Capitalism and Communism, Islam has declared that energy is neither a private nor a state property but a public property for all the Muslims. The Messenger of Allah (saw) said, «الْمُسْلِمُونَ شُرَكَاءُ فِي ثَلَاثِ الْمَاءِ وَالْكَلْبِ وَالنَّارِ» **"Muslims are partners in three things: water, pastures and fire (energy)"** [Abu Dawood.]. Thus, although the Khilafah (Caliphate) State takes charge of managing the public property and state property, it is not permitted for the Khalifah to grant the ownership of the public property to any private party, whether an individual or group, as it is a property for all Muslims. After returning these assets to public ownership, the future Khilafah can trade in energy resources with foreign states that are not hostile to the Muslims and Islam. In this and similar ways the Khilafah will ensure the benefit of this wealth of the Ummah is for the Ummah itself, rather than becoming a source of misery by allowing private companies to funnel its wealth away as profits, whilst the government adds to burdens of the people with huge taxation upon energy. In addition, Capitalism's drive for private ownership also usurps interests that should be owned primarily by

the state, such as machinery and heavy munitions manufacture, telecommunications, major construction and transport. In the coming Khilafah, inshaaAllah, such enterprises are primarily to be regarded as state enterprises, with local private companies from these lands existing within the field, but under state supervision so as to prevent eclipsing and dominating the state role as occurs in these dark days of capitalism.

In the absence of Islam, the wealthiest companies in the world are energy, arms, machinery and telecommunications companies, whilst the governments are left with only one resort for revenues, suffocating the people with increased taxation. Moreover, in Pakistan's case, colonialism through the agent rulers creates incentives to encourage foreign ownership, such as reduced excise on the import of machinery and other economic inputs and tax holidays on profits, which are sent back to strengthen the economy of the foreign country. And the direct foreign usurping of the Pakistan's manufacturing base, as evident by the government's own Foreign Direct Investment (FDI) figures, it surges under every successive regime.

Strangling Most of the People with Taxes, whilst Only a Few Thrive

Under IMF supervision, Pakistan's economy has been strangled by ever increasing regressive taxation on earnings and consumption of goods. So, consider that total revenues in 1987-88 were Rs. 117,021 million and in 2002/3 they were Rs. 706,100 million. Taxation was over one trillion rupees for the financial year of 2008-2009, but then was doubled to over two trillion rupees for 2013-2014. By 2018-2019, taxation was then doubled again to four trillion rupees, whilst Pakistan's rulers now target nearly six trillion for 2021-2022. This is whilst they are striving, from now, to meet the IMF demand for taxation of ten trillion rupees, for the financial year of 2024-2025. If such increases in taxation were to ensure the defending the honour of the Prophet (saw), or liberating Al-Aqsa Masjid and Occupied Kashmir, the Muslims of Pakistan would empty their houses and tie stones to their bellies. However, to chase our poor and indebted mercilessly, in order to spend upon a major sin, is a heinous crime that must be denounced and rejected in every corner of Pakistan.

In the current budget 2021-22, the regime has set a target of 5.83 trillion rupees of tax collection, out which 62.6% will be indirect taxes. So the bulk of revenue generation is from regressive taxation. A regressive tax is applied uniformly, taking a larger percentage of income from the poor, compared to the wealthy. Even the remaining 37.4% of taxation, as direct taxes, cannot be considered as progressive taxation as it still penalizes the poor and the indebted. Most of direct taxation comprises of income tax and Workers' Welfare Fund. In Pakistan, a man earning more than 50,000 Rupees has to pay income tax, even though he cannot fill the basic needs of a city dwelling family of four. Tax for the Workers' Welfare Fund is applied on the new minimum wage of 20,000 Rupees in the current budget.

Throughout the world, capitalist taxation punishes the poor, whilst providing huge loop holes for the wealthy. According to a survey by the PEW research centre, 64% of Americans say they are bothered a lot by the feeling that some corporations aren't paying what's fair in federal taxes, whilst 61% say the same about some wealthy people. Globally, democracy allows wealthy corporates and individuals to influence legislators to make laws that suit them. The suffering people are fed a lie that if the wealthiest are taxed less, they can spend more on production and there will be a trickle-down effect. However, the rich-poor gap is continuously increasing, even during the economic crises and lockdowns.

So after all, Capitalism has ensured that the combined revenues of sales tax and income tax alone are well over 60% of all the state revenues. Which means the major share of the revenues is from usurping the wages of the people and undermining their ability to buy essentials. This corrupt system can only produce such failure as it is designed to neglect the affairs of the people and this is why all those who seek power in this system are also calling for increased taxation. As income

tax, this system taxes people upon the fruits of their labour from which they hope to save to secure their basic needs and some of their luxuries, rather than taxing from their surplus wealth beyond their needs and some of their luxuries. As sales tax, it taxes the people in their attempts to buy basic needs and some luxuries, rather than taxing only on those who have wealth in surplus of such basic needs and luxuries. Yet, the rulers insist this system is “for the people,” whereas in the Khilafah, neither income tax nor sales tax exists, because private property in origin is inviolable. Taxation occurs on surplus wealth beyond that which is needed to secure basic needs and some luxuries, and that too under stringent conditions. What allows this low taxation policy is the fact that the Khilafah has abundant sources of revenues from public and state property, as well as a unique set of laws for revenue generation from agriculture and industry.

Expenditure that is Biased Towards the Colonialists and their Agents

Having deprived the Ummah of its rightful revenues and also choked its earnings and ability to buy and produce, the government then takes interest based loans from the kafir colonialist countries. These loans are a bunya (debt trap), designed to keep Pakistan in debt so as to strip it of its assets and gravely reduce its ability to stand on its feet as a challenge to the West. This is money that is taken away from the economy, looking after the affairs and securing the basic needs of the people. And it is a global injustice, as like Pakistan, many countries have paid back their loans many times over, but remain in debt due to unjust colonialist interest based loans and conditions. It is the Khilafah (Caliphate) on the Method of Prophethood alone that will rescue us from the endless descent into interest based debt. The Khilafah will not pay any interest whatsoever accrued on the debts, because Allah (swt) said, **﴿يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنتُمْ مُؤْمِنِينَ * فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِن تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ﴾** **“O you who believe! Be afraid of Allah and give up what remains (due to you) from Riba (from now onward), if you are (really) believers. And if you do not do it, then take a notice of war from Allah and His Messenger, but if you repent, you shall have your capital sums. Deal not unjustly and you shall not be dealt with unjustly.”** [TMQ Surah al-Baqarah 2: 278-9].

Revenue and Expenses Overview

Unlike Capitalism, Islam does not rely on taxation on income and consumption as a dominant means to generate revenue. Its revenue generation is based on accrued wealth beyond the basic needs, as well as upon actual production. Even when the Khilafah does tax, it is with stringent conditions that are based upon accumulated wealth, so it does not penalize poor and under privileged who are unable to secure their basic needs. This is possible because partly because of the huge revenue that the state will generate from state owned and publicly owned enterprises such as energy resources, machinery and infrastructure manufacture and partly through Islam's unique revenue laws, which increase distribution of the wealth, rather than its concentration. Hizb ut Tahrir states in its *Introduction to the Constitution*, “Article 148: The budget of the State has permanent chapters determined by Shari’ah rules. As for the sections of the budget, the amounts allocated for each section, and the issues of each section covered by these amounts are left to the opinion of the Khalifah and his Ijtihad.” And in Article 149: “The permanent sources of income for the Bayt al-Mal are the booty, Jizya, land tax, a fifth of buried treasure, and Zakat. This income is collected continuously irrespective of whether there was a need or not” and in Article 151: “Money taken at the borders of the State from custom duties, income derived from public or State property, inheritance for which there is no inheritor and the assets of the apostates are all considered to be part of the revenue of the Bayt al-Mal.”

Industry as a Source of Revenue

Industry will thrive in the Khilafah. It will not be strangled by taxes for all manner of crucial inputs, from energy to machinery. Instead, the state will generate revenue from profits of the trade

and accrued trading merchandise. This allows the businesses to focus on production without fetters, whilst circulation is ensured through their giving of revenues from their profits or accrued wealth. Hizb ut Tahrir says in its *Introduction to the Constitution*, Article 143: “Zakat is collected from Muslims, and is taken from the wealth which the Shari’ah has specified such as money, the profits of trade, cattle and grains. It is not taken from anything which the Shari’ah did not mention. It is taken from every owner irrespective of whether they were legally responsible/accountable (mukallaf) such as the mature, sane person or whether they were not legally responsible such as the child and the insane. The Zakat is placed in a specific section of the Bayt al-Mal, and is not spent except upon one or more of the eight categories mentioned in the noble Quran.”

Kharaaj as a Source of Revenue does not Strangle Farmers

Under Islamic rule, the Indian Subcontinent, a predominately agricultural society, produced almost a quarter of the world's GDP. One of the factors was the concept of Kharaj. Under Kharaj, the neck of the land was owned by all the Muslims, but its use and benefit was with the one who cultivated it. So the one who cultivated it benefited from its production directly. This allowed the circulation of wealth and boosted production. In return for a strong source of livelihood, the Muslims generated revenue from the land for the state, in accordance to its capacity. With the introduction of Capitalism, under the British rule, the cultivators were taxed heavily, were forced then to take interest based loans, subsequently drowned in debt and ultimately had to sell their lands. This was asides from the land seizures by the colonialists for the sake of themselves and their collaborators. Agriculture continues to suffer from Capitalism until today, even though Pakistan's existing agriculture remains world class in many fields, and has potential to develop far further. The farmers face huge taxation on agricultural inputs from fertilizer, seed, machinery, transport and fuel. Then they are forced to try and increase profits by exports to foreign markets. This in turn drowns Pakistan in suffering by forcing it to make more and more expensive imports of the same grains and crops that it can grow in abundance. In Islam, the revenue generation is not based on taxation of agricultural inputs, but on production from the land, which enables the farmer to maximize the production, without being slowed down by over-expensive inputs. As Hizb ut Tahrir states in its *Introduction to the Constitution* in Article 145, “Land tax is payable upon the kharajiyah land according to its capacity. Zakat is collected from the ‘ushriyyah land according to the actual production.”

Recourse to Taxation is with Stringent Conditions, Not a Default

Islam grants sanctity to the private property of individuals and prevents it usurping, so taxation would occur in the Khilafah, but as a last resort and under stringent conditions; namely, if the revenues that Shariah has stipulated were not enough and only upon those who have secured their basic needs and luxuries to the level that is considered normal or equitable (bil maroof). So Islam ensures that there is no taxation on the fruits of labour nor the efforts to secure the basic needs and luxuries to the level that is considered equitable, as occurs in capitalism in the form of income tax and sales tax, which is punishing the less well off. This means that the taxation will ensure circulation of wealth, rather than concentration. Consider that Pakistan’s top 30 richest people are worth circa \$15 billion and these are only reported figures. Just a 30% tax will net \$4.5 billion. Thus, the money raised through the levy of emergency tax on the wealthy can be used for emergency needs, according to Shariah rulings, such as feeding the poor or earthquake relief efforts.

Beyond this the Khilafah can choose to take interest-free loans from the people for projects with repayment expected over short term as well, as asking for voluntary donations from an Ummah which is characterized by generosity for the sake of Allah (swt). Hizb ut Tahrir states in its *Introduction to the Constitution* in Article 150: “If the permanent revenues of the Bayt al-Mal are not sufficient to cover the expenditure of the State, then it is possible to impose taxes upon the

Muslims. It becomes obligatory to impose taxes as follows: a. To fulfil the obligatory expenses upon the Bayt al-Mal for the poor, needy, and wayfarers, and to undertake the obligation of Jihad. b. To fulfil the obligatory expenses upon the Bayt al-Mal for remunerations of the civil servants and soldiers, as well as compensation for the rulers. c. To fulfil the obligatory expenses upon the Bayt al-Mal to undertake the services and needs such as establishing roads, extracting water, building mosques, schools and hospitals. d. To fulfil the obligatory expenses upon the Bayt al-Mal which are necessary in case of a disaster which afflicted the subjects such as famine, floods and earthquakes” and in Article 146: “Muslims pay the taxes that the Shari’ah has permitted to be levied upon them in order to cover the expenditure of the Bayt al-Mal, on the condition that it is levied on that which is surplus to the individual’s needs according to what is normal, and has to be sufficient to cover the needs of the State. And forbade the taking of custom duties, because it is a tax, and so it is a prohibition that encompasses every tax.” And in Article 147: “The State has the right to impose taxes in order to undertake anything that the Shari’ah obligated upon the Ummah if the funds in the Bayt al-Mal were insufficient since the obligation for funding it would be transferred onto the Ummah. The State has no right to impose a tax for the sake of whatever is not obligatory upon the Ummah to undertake, and so it is not permitted to collect fees for the courts or departments or to fulfil any service.”

Expenditure Guidelines

Thus the Khilafah raises huge revenues from state property, public property, agriculture and industry without choking them, and taxes from those who have surplus to normal living. On the expense side Islam stipulates all that is necessary to truly look after the affairs of the people. Hizb ut Tahrir declares in the *Introduction to the Constitution*, Article 152: “The expenditure of the Bayt al-Mal is divided across six sections: a. The eight categories which deserve the Zakat to be spent upon them, from the chapter of Zakat. b. The poor, the needy, the wayfarer, Jihad, and those in debt – if there is nothing found in the chapter of Zakat, they are given money from the permanent sources of income of the Bayt al-Mal, and if nothing is found then those in debt are not given anything. Taxes are imposed in order to fulfil the expenses required for the poor, the needy, the wayfarer, and Jihad, and the State takes a loan in case of fear of fasad (corruption). c. The individuals who provide services to the State such as the civil servants, the soldiers and the rulers are paid from the Bayt al-Mal. If there were insufficient funds in the Bayt al-Mal then taxes are imposed in order to fulfil the expenditure needs, and the State takes a loan in case of fear of fasad (corruption). d. The essential services and utilities such as roads, mosques, hospitals and schools are funded by the Bayt al-Mal, and if there are insufficient funds in the Bayt al-Mal taxes are imposed to fulfil these expenses. e. The non-essential services and utilities are funded by the Bayt al-Mal, and if funds found in the Bayt al-Mal are insufficient then they are not funded, but rather delayed. f. Emergency situations such as earthquakes and floods are funded by the Bayt al-Mal, and if the funds were not found the money required is taken as a loan immediately which is then repaid through raised taxes.”

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Hizb ut Tahrir
Wilayah Pakistan