Chapter- V

THE PROPHET ON MOBILISATION AND END- USE OF RESOURCES
In this chapter an attempt is made to study resource mobilisation effort and end-use of resources as envisioned by the Prophet. Since Islam offers a model of governance, it must, therefore, generate within its own parameters sufficient revenue to finance governance of the state. Since finance is crucial, it would be worthwhile to examine the approach of the Prophet towards public finances. This chapter is spread over four sections. Section 1 deals with the meaning, definition and objectives of public finance in general. In Section 2 the guiding principles of resource mobilisation and sources of revenue as envisioned by the Prophet are examined. In Section 3 different heads of expenditure are studied and concluding observations are made in Section 4.

I

Public Finance: General Approach

A modern state has to perform many political, social and economic functions in the interest of welfare of its people. If different economic agents fail to
perform well, the state should come forward to rectify deficiencies. In case if the state does not rise to the occasion, there would be economic chaos and confusion. The vulnerable sections of the society would be hit hard and their sufferings would multiply day after day.

It is very well documented in the literature on public finance that in the past the state confined itself to defence and law and order. Its developmental role was minimal. This approach of the state popularly known as *laissez fair* was accepted all over the world till the crisis caused by the Great Depression of 1930's. The collapse caused by the Great Depression and the socialist onslaught led by successful Russian Revolution (1917) impressed upon a number of economists to advocate for an entirely different role model of the state.

This approach gathered more momentum after the publication of *General Theory of J.M.Keynes*. It was suggested by Keynes and his followers that along with the defence and maintenance of internal law and order, the state should play a more important developmental role. The role of the state was viewed as one of the means of curing deficiencies arising out of deficient effective demand. A certain minimum government expendi-
ture was desired to support a reasonable level of output and employment.

It is particularly after 1940's that the involvement of the state increased many fold. This involvement of state necessitated generation of more and more revenue. Consequently new taxes were introduced. Proportional taxation which was favoured by the early period economists was discarded and progressive taxation became rule of the day. In addition to it, the governments started borrowing heavily, both internally as well as externally. As the generation of resources could not keep pace with ambitious developmental plans, governments resorted to deficit financing. The idea of a balanced or surplus budget was replaced by the notion of a deficit budget. Thus, it can be said that heavy taxation and heavy expenditure were the two prominent features of fiscal management between 1940 and 80's.

The adverse consequences of heavy taxation and heavy expenditure came to the forefront during 1970 and 80's. For example, deficit financing led to high rates of inflation. Progressive taxation led to underreporting of income and wealth. A parallel economy of black money started operating alongside the official economy. It is
in the black money economy that the different monetary and fiscal tools as used by governments lose their efficacy and fiscal management becomes irrelevant. Another problem has been high burden of debt servicing. Presently a large number of countries find themselves in debt trap. On the whole it can be said that many of expectations associated with active involvement of the state were not realized.

Similar was the case of socialistic approach. The Marxists dream of a class-less society greatly remained unfulfilled. The disintegration of U.S.S.R is the most shining example of failure of Marxist approach. In brief it can be said that "while Marx provided a powerful critique of the capitalist system, he failed to provide a constructive and feasible alternative"1.

Thus, belying of high expectations associated with active involvement of the government and the failure of Marxist approach have once again compelled the governments all over the world to rethink and redesign their economic strategies.

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Currently, the trend is in favour of a more market friendly approach. The state here is expected to "level the play field". While the state would strengthen its social network, it would gradually withdraw from different economic activities. The role of the state would be that of monitoring and guiding the course of economic progress. The major economic decisions would be taken in the private sector where the market forces would shape the course of economic policy. Similarly the current trend is in favour of less number of taxes, low rates of taxes, prioritised public expenditure, limited deficit financing and restricted public borrowing.

In brief it can be said that in the area of resource mobilisation the economic thinking has completed a full circle. It started with the notions of minimum or no taxes, limited role of government and the invisible hand controlling economic affairs. Then we see a period of heavy taxes, heavy deficit financing, heavy public borrowing and a more interventionist role of the state. Now we see that the trend is in favour of withdrawal of the state from the market, low taxes, limited spending
and small deficit financing. 

II

2.1 Guiding Principles of Resource Mobilisation and Sources of Revenue:

As in case of other secular states, an Islamic state too needs necessary finance to discharge its basic political, economic and social responsibilities. It can also be said that, as in case of other states, the performance of a Islamic state in discharging its basic obligations greatly depends upon its resource mobilization effort. Thus, at any point of time the adequate and regular flow of funds is quite necessary for a Islamic state.

The early Islamic state got itself established only after the migration of the Prophet from Makkah to Madinah (622 C.E). At Makkah, from where the Prophet started preaching, Muslims were loosely organised. The Prophet did provide effective leadership to his follow-

ers even before the Islamic state was established. For every economic, political and social problem the followers of the Prophet turned to him for necessary guidance. The economic problems were attended to mainly on an adhoc basis as there was no arrangement for a regular flow of funds. It was only after the migration (622 C.E) that the Islamic state emerged and so also its obligations got clearly defined. "The conception of state as an authority responsible for conducting the affairs of the Muslim society is provided for by the Quran and authentic Prophetic traditions. Indeed, Islamic jurisprudence (Fiqh) abounds in practical analysis which support the concept of such an institution (i.e., the state), in whose absence chaos would be widespread and rights would be violated"1.

We can identify certain important following principles of resource mobilization effort of a Islamic

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2.1.1 **Bearability of Financial Burden:**

The first important principle of resource mobilization effort of a Islamic state is bearability of financial burden. This is in tune with the overall principle of Islam. In this regard it is mentioned in the Quran:

"No person shall be burdened beyond his capacity" (2:233), and "God does not burden any person with more than he is well able to bear" (2:286), "Allah puts no burden on any person beyond what He has given him" (65:7).

Of course there is no direct mention of taxation or other levies in the above mentioned verses, yet the

scope of these verses could be well stretched to cover financial burden. The Prophet's approach towards the collection of zakat bears testimony to the above mentioned principle. During the period of the righteous Caliphs too the citizens of Islamic state were never overburdened by taxes and levies. The principle as envisioned by Islam is greatly in conformity with the modern principle of taxation which signifies the importance of ability to pay.

2.1.2 Avoidance of Concentration of Wealth:

Any resource mobilization effort of a Islamic state would aim at minimizing concentration of wealth. It appears in the Quran:

"Wealth should not circulate only among the rich" (59:7).

The entire process of collection and disbursement of zakat, Islamic law of inheritance, Islamic notions of lawful and unlawful sources of earning, prohibition of interest, etc., work in the direction of reducing concentration of wealth. It should be, however, noted here
that Islam is against absolute inequalities. Since Islamic approach is natural it admits existence of relative inequalities. Relative inequalities are a result of and a reward for differences in human skill, ingenuity and work effort.

2.1.3 Under-Privileged as Beneficiaries of Government Expenditures:

The end-use of resource mobilization effort in Islam is promotion of welfare of weaker sections of the society. It can be pointed out here that Islam is more particular about the expenditure-side of resource mobilization effort than imposing and introducing new and new taxes. It clearly enumerates heads of zakat expenditure of which the poor and destitute top the list, for example Surah No.9 and verse No. 60. At some other place in the Quran the essence of this Islamic approach is made clear:

"What Allah has bestowed on His Apostle (and taken away) from the people of township belongs to Allah, to His Apostle and to kindred and orphans, and the
needy and wayfarer, in order that it may not (merely) make a circuit between wealthy among you" (59:7).

This clear mention of beneficiaries of government expenditure go to highlight the point that entire process of expenditure of zakat funds is not left to the whims and fancies of men in power.

2.1.4 Generous Spending for Social Causes:

Islam envisions spending both at public and private level for social causes. Individuals can come forward and spend privately for the sake of Allah or else they can support and finance such of the institutions which are engaged in social causes. It should be remembered here that the institution of zakat calls for certain minimum level of spending which is obligatory in nature. Any spending over and above the minimum zakat spending will be voluntary in character and apparently no limits are fixed. It appears in the Quran:

"And they will ask you what
they should spend (in charity) Say: whatever you spend that is good" (2:215).

At some other place in the Quran it is pointed out:

"You cannot attain righteousness unless you spend on others out of what you cherish yourselves, and whatever you spend, verily, God has full knowledge thereof" (3:92).

These Quranic verses exhort spending other than the spending based on zakat. While zakat spending is clearly earmarked, there are no such restrictions placed on non-zakat spending. Surely such a spending would help to promote and finance social causes.

2.1.5 **Social Burden to be Shared by Every one According to Ability:**

The Islamic state guarantees the provision of basic needs to all those who are sick, old, needy or invalid and are, therefore, unable to work. In the
process Islam does not put the entire burden of financing the social burden either on state or on a few wealthy. It asks all to share the burden according to their abilities. Such of the persons, who have nothing to offer and share the burden, are encouraged to contribute by the way of labour and intellect. The Quran says:

"Not equal are those believers who sit (at home), except those who are disabled. And those who strive and fight in the cause of Allah with their goods and their persons. Allah has granted a grade higher to those who strive and fight" (4:95).

In the eyes of Allah such a Muslim who works and exerts himself through his wealth and his capabilities to satisfy public wants is higher in the rank than some one who sits back and makes no such effort. This approach of Islam is highly beneficial in the sense that the entire burden is not transferred to state alone. In the longrun such an approach would make the state to be less dependent upon tax and non-tax sources.
of revenue. Everybody would feel the essence of contribution. Over the years a climate would develop wherein the members of society would contribute to the common wealth of the society and society in turn would lift and support its members.

2.2 Sources of Revenue:

A critical study of the functions of early Islamic state would bring to our notice the following important objectives of its economic policy.

1. The satisfaction of basic needs of all people
2. Provision of employment to all employable.
3. Human resource development.

The sources mentioned in the following chart are explained as under:
It is in this context that the following chart helps us to understand the resource mobilization efforts of the early Islamic state.

Chart No. 1

Sources of Revenue

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<th>Zakat</th>
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<td>7. Heirless estates</td>
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Mineral Wealth
Gold and Silver
Articles of Trade
Livestock
Hidden Treasurers
2.2.1 *Zakat: Meaning of the Term*

The most important aspect of resource mobilisation effort of an Islamic state is imposition and collection of *zakat*. *Zakat* is not only a means of resource mobilisation but it is a part of the faith and one of the five pillars of Islam and, therefore, is studied in detail. The word *zakat* means 'to grow' 'to purify' and 'to improve'. "It refers to that purity of self which is acquired after the payment of the obligatory contribution of *zakat*......wealth is dearer to every one and every one loves his property and other sources of wealth; but the one who spends his wealth on others attains the goodness and purity. This is a real growth and goodness which he acquires by paying the obligatory contributions levied on his wealth in the form of *zakat*".1

* In this section some terms are explained in detail for the benefit of readers who do not have sufficient knowledge of basic terms.


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This aspect of zakat appears in the following verse of the Quran:

"Take alms (zakat) out of their property-thou wouldst cleanse them and purify them thereby" (9:103).

While zakat means to grow, dassaha means to conceal or bury and not let grow. It may be pointed out that the Quran has used the words sadaqat, infaq and zakat for alms and charity for the poor. These three serve the purpose of (1) 'spending to seek Allah's pleasure' (2) 'for the strengthening of souls' and (3) 'extension of monetary assistance to the poor and the needy'.

2.2.2 Evolution of Zakat:

The institution of zakat, which we find fully developed today, evolved over a period of time. It took nearly twenty three years for the zakat system to evolve fully, so was the case of mission of the Prophet. It can be said that the mission of the Prophet and the institution of zakat developed side by side. Credit goes to the economic wisdom of the Prophet who made the Islamic
system of faith and fraternity, self-reliant and self-financing through *sadaqat* and *zakat*.

The words *zakat* and *sadaqat* are used interchangeably in the Quran and in the traditions of the Prophet. *Sadaqat* is very wide term and is used in the Quran to cover all kinds of charity. *Sadaqat* means to give alms including legal alms, for which the term *zakat* is used in the Quran and Sunnah. *Zakat* has been called *sadaqa* because it is also a kind of compulsory charity. It is an obligatory *sadaqa* while ordinary *sadaqat* are voluntary. It is collected by the Islamic government as a compulsory levy while other *sadaqat* are paid voluntarily and distributed directly amongst needy and deserving. Its rate and exemption limits are fixed while the amount of the *sadaqat* depends entirely upon the will of the giver.

The institution of *zakat* began to develop at Makkah itself. The Prophet gave the call in the year 610 C.E. The essence of his message was unity of Allah. The Prophet's mission developed gradually. He faced stiff resistance from the people of Makkah. They opposed him ideologically as well as economically. The Prophet himself and his followers had to face economic boycott
for quite a few years before migration to Madinah. It was under these circumstances that his followers were called upon to exercise charity. It appears in the Quran:

"Give zakat and (thus) lend unto God a goodly loan; for whatever good deed you may offer up in your own behalf, you shall truly find it with God... Yes better and richer in reward" (73:20).

Thus, began the process of alms giving for which the term zakat, sadaqat, and infaq are used interchangeably. Opposition to the Prophet continued and he decided to migrate to Madinah. It was in the year 622 C.E., that the Prophet left Makkah for Madinah where his followers were large in number and also financially well off. They later on came be to known as ansar (helpers) while the migrants were addressed as muhajirin. A great number of muhajirin were poor and destitute. Many of them had to abandon their economic resources while migrating to Madinah. They were in need of help, both humanitarian as well as financial. It is in this context
that many verses were revealed exhorting the followers of the Prophet to give zakat and sadaqat. The Prophet as the head of the state would ask for contributions from the citizens.

"Invariably the community used to comply, putting at his disposal substantial and sufficient sums and goods, that was enough to satisfy the pressing needs. This adhoc method of tax/contribution collection continued for most of the Madinan period. When the size of the community expanded both within and outside Madinah around the year 8 A.H/629 C.E., tax collectors were formally appointed and sent out. They collected taxes on virtually all kinds of income and wealth....finally in the year 9 A.H/630 C.E., the Quran revealed the verse (9:60) which unambiguously specified all the categories for which zakat expenditure meant to be used. By the time of the death of the Prophet (11 A.H/632 C.E.) the state had a fully functioning treasury department performing the collection and disbursement functions¹.

¹ Haq, Irfanul., Economic Doctrines of Islam: A Study in the Doctrines of Islam and their Implications for Poverty, Employment and Economic Growth, op.cit., pp.211-12
2.2.3. **Significance of Zakat:**

The importance of zakat can be viewed from the two different angles. First, from viewpoint of religion, and, secondly, from the socio-economic angle. "Zakat is multidimensional in content. It is both a value as well as an institution; beneficial for the giver as well as for the recipient; both moral and socio economic; a red-distributive measure; its acceptance a sign of faith, and its rejection a source of peril; an individual act of piety and a collective source of benefit; both other-worldly and this worldly; and a teaching without whose institutionalization an order cannot be called Islamic. Therefore, it is very representative of Islam's socio-moral teachings, and that is probably why the Quran urges its establishment repeatedly"\(^1\).

Basically zakat is a part of faith and it is one of five pillars of Islam. It has, however, at the same time major socio-economic ramifications. A person who does not believe in the institution of zakat is out of bonds of Islam. It can be recalled here that immediately after passing away of the Prophet, a few of the Arabian

\(^1\) Ibid., P.227
tribes refused to pay zakat. Abu Bakar, the first Caliph, waged war against them. He took the stand that it is wrong to offer salat (prayer) while not clearing zakat dues. "One section of the Muslims, including Hazarat Umar, objected to this action of Khalif on the ground that they could not declare a war on the Muslims so as long as they were observing other tenets of Islam. Even one group of the rebels said that they were not disbelievers and that they observed prayer but would not pay zakat. Abu Bakr quoted the following verse of the Quran:

"But when the forbidden months are past, then fight and slay the pagans wherever ye find them, and seize them beleaguer them, and lie in wait for them in every stratagem (of war); but if they repent, and establish regular prayers, and pay zakat then open the way for them; for Allah is oft-forgiving, most Merciful"(9:5)\(^1\).

\(^1\) Rahman, Afzalur., Muhammad: Encyclopaedia of Seerah, Vol.II, op.cit., P.429
This stand of Abu Bakr was later endorsed by all.

There are several verses in the Quran and a good number of traditions of the Prophet which highlight importance of zakat. At several places in the Quran where the term sadaqat is used, what actually meant is payment of zakat. The practice of paying zakat, sadaqat and infaq serve the purpose of (1) purification of assets, (2) cleansing men of their evils, (3) expression of gratitude towards Almighty Allah for His Bounties and Favours and (4) an expression of humanitarian concern for poor and destitute.

"The prescription of zakat is clear and unambiguous signal of the divine desire to assume that no one suffers because of lack of means to acquire the essential need-fulfilling goods and services.......(It) is technically the financial obligation of a Muslim to pay out of his net worth or agricultural output, if these are higher than the threshold of zakat (nisab).......It is one of the five pillars of Islam and reflects a determination to purify the society, of the cancer of poverty, and the wealth of the well to do of the offence against Islamic teachings committed by the non-fulfillment of every one's basic needs. It is a way of express-
ing one's appreciation to God for His Bounties and of seeking His blessings, which will be reflected in the growth of wealth and the real well being of all. It is, thus, the financial embodiment of an indispensable socio-economic commitment of Muslims to meet the needs of all, without putting the entire burden on public exchequer which socialism and secular welfare states have unwittingly done.¹

The religious significance of zakat can be gauged from the fact that at several places it is mentioned in the Quran. The whole of the Quran (i.e. 6666 verses) revolves around three issues namely, 1) Unity of God 2) Prophethood and 3) Instructions or orders. The verses covering instructions and orders concern with dos' and don'ts, for example, interest-based transactions are banned and payment of zakat is commanded. At seventy six different places the payment of zakat, sadaqat and charitable spending (infaq) are commanded. The importance of zakat can be further understood from the fact that at twenty nine times the faithful are asked to clear their zakat dues. Out of twenty nine times, twenty

¹. Chapra, M. Umer., Islam and the Economic Challenge, op.cit.,pp. 271-72

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three times the payment of zakat appears with the establishment of prayers and independently for six times, similarly the word sadaqat appears for five times and charitable spending (infaq) for forty two times. This repeated mention of zakat, sadaqat and infaq is sufficient enough to point the religious significance of zakat-based spending. The sum and substance of sadaqat, zakat and infaq is achieving pleasure of Allah by the way of transfer of resources in favour of poor and needy.

There are several traditions of the Prophet highlighting the significance of zakat. A few of such traditions are culled here. Ibn Umar has reported the Messenger of Allah as saying:

"The (edifice of) Islam is founded on five (things). Testimony to the fact that there is no deity save Allah, that Muhammad is the Messenger of Allah, the establishment of prayer, payment of Zakah, (the performance of) Hajj and the fasts
of Ramadan\(^1\).

Similarly another tradition is reported on the authority of Jairir b. Abdullah who reports:

"I took the oath of allegiance (at the hands of the) Holy Prophet of the establishment of Prayer, payment of Zakah and well wishing for every Muslim\(^2\).

Another every important tradition highlighting the significance of zakat is reported on the authority of Mu'adh, who was appointed by the Prophet as the governor of Yemen province. While he was about to proceed to Yemen, the Prophet said:

"You will soon find yourself in a community one among the people of the Book, so first call them to testify that there is no god but Allah, that I

\(^1\) Al-Bukhari, op.cit., Book.34, Chapter.24.
\(^2\) Ibid., Book.24, chapter.2
(Muhammad) am the Messenger of Allah and if they accept this, then tell them that Allah has enjoined upon them five prayers during the day and the night and if they accept, then tell them that Allah has made zakat obligatory for them that it should be collected from the rich and distributed among the poor and if they agree to it, pick up (as a share of zakat) the best of their wealth. Beware of the supplication of oppressed for there is no barrier between him and Allah"1.

The non-payment of zakat or its deliberate avoidance invites Divine Wrath. The Prophet warned people in very clear terms:

"If any owner of gold or silver does not pay what is due to him when the Day of Resurrection would come, plates of fire would be beaten.

1. Al-Bukhari., op.cit., Book.1, Hadith.29
cut for him; these would then be heated in the fire of Hell and his forehead and his back would be cauterized with them. Whenever these cool down, (the process is) repeated during a day the extent of which would be fifty thousand years until judgment is pronounced among servants, and he sees whether his path is to take him to paradise or to hell"1.

2.2.4. **Coverage of the Zakat:**

The Prophet has covered all most all important forms of wealth (stock) and merchandise trade for the purpose of imposition of zakat. The Prophet also considered agricultural produce (flow) for zakat purpose. In other words the Prophet has explored the possibility of taxing both 'stock' and 'flow'. When examined from the viewpoint of the then existing forms of wealth, it would appear to us that the base of zakat is broad in

1. Al-Bukhari., op.cit., Book 12, Hadith 28
real sense of the term. The advantages of a broad base are obvious. For example, in the first place, wide, excessive reliance would not be placed on a particular base or item. Secondly, more amount of revenue would be collected even with low rates. In other words a broad base would have more significant economic effect and a weak and less significant substitution effect. Thirdly a broad base would help in toning down the marginal rate of progression. Thus, one has to appreciate the economic wisdom of the Prophet who, on the one hand, kept zakat rate as low as possible and on the other covered almost every important form of income, wealth and merchandise for the purpose of zakat.

Further, articles belonging to the same category only are taken into consideration for a particular nisab. Each type of wealth constitutes a separate category for the levy of zakat. Ibn Anas reported:

"Those who are in separate flocks are not to be brought together and those which are in one flock are not to be separated from fear of sadaqa".

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1. Al-Bukhari., op.cit., Book.24, Chapter.34 and Book.47, chapter.2

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We can illustrate the above tradition further. "for example, a man who owns animals, commercial goods and gold and silver will be subject to zakat on each type of wealth separately. If the three categories of wealth are severally and jointly above the prescribed nisab, he will then pay zakat according to the assessment rate of each kind of wealth. But if they do not constitute the prescribe nisab separately, they will not be subject to zakat even though they may constitute nisab when added together"¹. In the following paragraphs an attempt is made to examine the different forms of wealth covered for imposition of zakat.

1. **Gold and Silver:**

Gold and Silver have been major forms of wealth since time immemorial. These are the two metals which command universal value and normally form the basis of currency. The stock of a country is normally ex-

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pressed in the form of reserves of gold and silver. Ornaments made of gold and silver also are a major form of saving. Even though the value of gold and silver does not rise as fast as stock in trade, yet investment in gold and silver is considered as safe. It is also considered as a hedge against inflation. The significance of payment of zakat on gold and silver can be noticed in the following tradition:

"Amr B. Shu'aib reported from his father who reported on the authority of his father that a woman came to Allah's Messenger accompanied by her daughter. Her daughter was wearing two thick gold bangles. The Prophet asked her: 'Do you pay zakat (of these armlets)?' She replied: 'No'. The Prophet said: 'Will you be pleased that Allah may put two armlets made of fire on you on the day of Resurrection?' The narrator said: Then she removed those armlets and threw them towards the Prophet and she said: 'They are for Allah, Mighty and Glorious, and
Another tradition is reported on the authority of Umm Salama who said:

"I used to wear anklets of gold. I asked: Allah's Messenger! Is it kanz?" He said: "whatever reaches the limit of zakat, and it is paid on it, is not a kanz".

Similarly in another tradition it is said:

Shaddad b. al-Had said: "We visited Aisha, the wife of the Prophet. She said: 'The Prophet came (to my apartment) and saw silver bracelets in my arms'. He asked: 'What is this, Aisha?' I said: 'I have worn them so that I may embellish myself for you O Prophet of Allah'. The Prophet

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1. Al-Bukhari., op.cit., Book 9, Chapter 4
2. Al-Bukhari., op.cit., Book 9, Chapter 4
asked: 'Do you pay zakat on them?'
I said: 'No except that Allah so wills'. Then he said: 'This is sufficient to take you to the Fire (of Hell)'.

Similarly cash comprising of dinars (gold) and dirhams (silver) was also subject to zakat.

There is a tradition of the Prophet reported on the authority of Ali. The Prophet said:

"I have forgiven the sadaqa on horses and on slaves. Then bring sadaqa on dirhams at the rate of one dirham for every forty. But nothing is payable on 190 dirhams. And when it (wealth) reaches two hundred dirhams then five dirhams shall be payable".

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Again the Prophet said:

"There is no zakat on gold until its value amounts to 200 dirhams, and there is no zakat on silver until it reaches 200 dirhams and when it reaches 200 dirhmas, the zakat on it is 5 dirhams"\(^1\).

2. **Articles of Trade:**

At the time of the Prophet trading was a major economic activity, the others being agriculture and sheep rearing. The trading caravans used to carry goods from one place to another place. The Prophet himself, on some occasions, was a member of trading caravans. He successfully managed trading activities of Khudeja who was a leading trader. The volume and size of the trading activities were an implicit measure of a person's wealth. There is a tradition to this effect reported on the authority of Samura b Jundub:

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"After this (praise of Allah and benediction on the Prophet); Prophet ordered us to pay *sadaqa* on our merchandise (stock-in-trade)”¹.

The *nisab* for articles of trade is the same as for gold and silver. To calculate *zakat* on articles of trade we should measure the value of stock in trade after the passage of one full year from the date of commencement of trading activities.

3. **Minerals**

Twenty percent of mineral wealth and treasure trove, whether owned by the individuals or the state is to be paid to the *zakat* fund. Four-fifth will be retained by the owner of mines².

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1. Al-Darimi, Abdullah ibn Abd al-Rahman., *op.cit.*, Book 9, chapter 3.

4. **Cattle:**

The following tradition asks for the payment of zakat on cattle:

Abu Dharr reported: I heard Allah's Messenger saying: "In camels, there is sadaqa and in sheeps (and goats) there is sadaqa and in cows, there is sadaqa and in wheat there

The following are the animals on which zakat is paid.
1. Camels.
2. Sheep and goats.
3. Cows, bulls, oxen and buffaloes.

"Zakat is not due on camels, colts, calves, hinds, lambs etc., which are less than one year of age. Pasture cattle reared for procreation and milk purpose are subject to zakat. The riding animals or those meant to be slaughtered for food, or wild animals are exempted from the payment of zakat"¹. Zakat on animals in those

¹. Shad, Rahman Abdur., Zakat and Ushr, op.cit., p.71
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<th>Sl. No</th>
<th>Name of Animals</th>
<th>Number of Animals</th>
<th>Zakat Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Camels</td>
<td>Up to 4</td>
<td>No zakat</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 to 9</td>
<td>1 goat</td>
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<tr>
<td></td>
<td></td>
<td>10 to 14</td>
<td>2 goats</td>
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<tr>
<td></td>
<td></td>
<td>15 to 19</td>
<td>3 goats</td>
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<tr>
<td></td>
<td></td>
<td>20 to 24</td>
<td>4 goats</td>
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<tr>
<td></td>
<td></td>
<td>25 to 35</td>
<td>1 one year old female camel</td>
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<tr>
<td></td>
<td></td>
<td>36 to 45</td>
<td>1 two</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46 to 60</td>
<td>1 three</td>
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<tr>
<td></td>
<td></td>
<td>61 to 75</td>
<td>1 four</td>
</tr>
<tr>
<td></td>
<td></td>
<td>76 to 90</td>
<td>2 two</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91 to 120</td>
<td>2 to two</td>
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<td></td>
<td></td>
<td>Thereafter</td>
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<td></td>
<td></td>
<td>on each 40</td>
<td>2 two</td>
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<tr>
<td></td>
<td></td>
<td>Or thereafter</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>on each 50</td>
<td>1 three</td>
</tr>
<tr>
<td>2</td>
<td>Sheep and goats</td>
<td>Up to 40</td>
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<td></td>
<td>40 to 120</td>
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<td></td>
<td></td>
<td>121 to 200</td>
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<td></td>
<td></td>
<td>Thereafter on</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>each 100</td>
<td>1 goat</td>
</tr>
<tr>
<td>3</td>
<td>Cows and bulls and Oxen and etc.,</td>
<td>Up to 29</td>
<td>No zakat</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30 to 39</td>
<td>One year old male or female calf.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40 to 59</td>
<td>1 two</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60 to 69</td>
<td>2 one</td>
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<tr>
<td></td>
<td></td>
<td>70 to 79</td>
<td>1 one year and</td>
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<td></td>
<td></td>
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<td>1 two</td>
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<td></td>
<td>80 to 89</td>
<td>2 two</td>
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<tr>
<td></td>
<td></td>
<td>90 to 99</td>
<td>3 one</td>
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<tr>
<td></td>
<td></td>
<td>100 to 109</td>
<td>1 two</td>
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<tr>
<td></td>
<td></td>
<td>110 to 119</td>
<td>2 two year and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 one year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>120 to 129</td>
<td>3 two year or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4 one year</td>
</tr>
</tbody>
</table>
days was collected in terms of animals but it does not mean that the zakat should be paid only in terms of animals. In the modern context due to invention of money the said zakat can be paid in terms of money also.

2.2.5. Ushr (Tithe):

For the purpose of imposition of zakat agricultural produce is also covered. The levy imposed upon agricultural produce is known as Ushr, (Lit. 1/10th). It is commanded in the Quran:

"O you who believe, spend of the good things that you have earned and of that which We bring forth for you out of the earth" (2:267).

In another place also there is a mention of Ushr in the Quran:

"Eat of its fruit, when it bears fruit, and pay the due of it on the day of harvest" (6:142).

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The Prophet has himself determined the rate of zakat on agricultural produce. It is reported on the authority of Jabbir b. Abdullah:

"A tenth is payable on what is watered by rivers or rain and a twentieth on what is watered by camels"\(^1\).

Another tradition is reported on the authority of Abu Huraira:

"The Messenger of Allah said:'1/10th is payable on what is watered by rain or springs and a 20th on what is watered by drought camels"\(^2\).

It is clear from the above traditions that when land is irrigated by streams, springs, rivers (running water) or rainfall (without human effort) it will pay

\(^1\) Abu al-Husayn Muslim al Nisaburi bin Al-Hajjaj., op.cit., Book 19, Chapter 13.

\(^2\) Ibn Majah., Sunan Ibn Majah, Book 8, Chapter 16
1/10th and land irrigated by wells and canals, where there is both human labour and investment, it will pay half of the 1/10th i.e 1/20th. The jurists have given the following reasons for charging 1/20th of the produce of land irrigated by wells (or artificial irrigation system). "For, more labour (and capital) is required (for digging wells and canals to irrigate) this land; and on the other hand, the land which is irrigated by rainfall or (natural) streams needs less labour (and capital)".

The difference in the rates of levy on agricultural produce can be examined from another angle in the light of multiple cropping system. A large scale expansion of irrigation, a wide network of canals and free or highly subsidised supply of power has made it possible to take more than one crop, some time three crops or even four crops in a year. Since the main source of irrigation is artificial, one should pay a levy at the rate of 5%. But, when examined from the point of view of total amount of levy paid, a farmer


using artificial irrigation facilities will pay this levy three or four times in a year. Had it been only natural irrigation system, the farmer would pay levy once at the rate of 10%. In other words the economic wisdom is that in a system of multiple cropping you will pay more at the rate of 5% than in single cropping at the rate of 10%. Another aspect of economic wisdom of the Prophet is that under a system of multiple cropping the revenue would flow to the state's exchequer every time the crop is harvested, not once in a year.

2.2.6. Exemption Limit (Nisab):

All forms of wealth, which remain in the possession of the owners for one full year, are subject to zakat, provided they exceed a prescribed limit. The Prophet of Islam has prescribed, a minimum exemption limit which is called as nisab.

The minimum exemption limit, in case of a debtor, will be arrived at after deducting the amount of debt from his total wealth. After making allowance for nisab and debt, zakat is levied on productive assets at the rate of 2.5%; mines and treasure trove at 20%; irrigated
land at 5%; unirrigated land at 10%; cattle varying between 1 to 2.5%. The following articles are exempt from zakat.

Dwelling-houses, wearing apparels, household utensils, riding animals, arms for use, food etc., articles of adornment other than gold and silver, coins, other than gold and silver intended for personal expenditure, books, tools and machinery used for further production, and animals used in agriculture. These articles are not subject to zakat as long as they are not intended for trade (or exchanged for profit).

Following are nisab limits for different productive assets
1. Silver: 21 oz or 52.5 tolas or 200 dirhams or 612.2 grams.
2. Gold: 7.5 tolas or 3 oz or 20 mithqal or 87.48 grams
3. Camels......5 Camels
4. Goats.......40 Goats
5. Cows........30 Cows
6. Articles of trade: Value equal to 52.5 tolas of 21 ozs of silver or 87.48 grams.
2.2.7. **Assessment Period:**

All types of capital which are in the possession of the owner for full twelve months will be subject to zakat. A tradition is reported on the authority of Aisha:

"I heard the Messenger of Allah as saying: 'There is no zakah on *mal* (wealth) until a year passes on it.'"\(^1\)

This amounts to say that the Prophet has prescribed one year for accounting and assessment purposes. This is in conformity with the modern practices of accounting and assessment.

2.2.8. **Others:**

Here an attempt is made to highlight a few other sources of revenue which were in vogue at the time of the Prophet and much thereafter:

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1. Spoils of War:

Wars were frequently fought before and after the advent of the Prophet. Wars before the advent of the Prophet were mainly fought either to subjugate the communities or for territorial expansion with a view to add to the wealth of the kings and nobles. In other words wars were fought to gain material advantage. The Prophet, however, changed the course of wars. He fought wars either to protect or to propagate the faith. Any material advantage was incidental to the prorogation of the faith. Indeed it was a great change in the approach towards wars. The revenue obtained as consequence of war is known as spoils of war, of which there are two types, (a) ganimah, and b) fai.

These two are again discussed as under:

(A). The Ganimah:

The ganimah is that form of wealth which is captured during the course of actual fight. The wealth captured from enemy either before or after war is not held as ganimah. Regarding ganimah there are Quranic verses:
"They ask thee concerning (things taken as) spoils of war, say `(such) spoils are at the disposal of God and the Apostle" (8:1).

"And know that out of all the booty that ye may acquire in war a fifth share is assigned to God, and to the Apostle and to near relatives, orphans the needy and wayfarer" (8:41).

The Almighty Allah further declares:

"But (now) enjoy what ye took in war, lawful and good: but fear God: for God is Oft-forgiving, Most Merciful" (8:69).

It is clear from the above verses that except 1/5th the remaining portion of ganimah belongs to army. The Prophet of Allah used to distribute the remaining 4/5th amongst the soldiers. The righteous caliphs too
followed it. During the caliphate of Banu Ummayyah and Banu Abbas, the ganimah was distributed amongst soldiers. All schools of Islamic jurisprudence accept that the 4/5th portion of ganimah would be distributed amongst soldiers only.

The 1/5th portion of ganimah was popularly known as Khumus. The Prophet was very much particular about Khumus. It is reported on the authority of Ubada b. Samit that the Prophet took hold of the fur of a side of the camel on the day of battle of Hunain said:

"O Ye people! verily, it is not lawful for me out of what Allah has bestowed upon you (as fai') even to this extent save the Khumus and Khumus is (again) returned to you"1.

Again on the authority of Amr b. Shu'aib it is reported:

"The Messenger of Allah came to a camel and took hold of

the fur from its side in his fingers and said: Verily, there is nothing that is lawful for me from out of fai' not even this fur except the khumus (one-fifth) and the khumus is also returned to you"1.

When the above mentioned traditions are examined carefully it would be clear to us that whatever portion of ganimah is retained by the state as the share of Almighty Allah and His Prophet is in reality returned to the poor and needy. Since the Almighty does not need any fund nor does His Prophet, the proceeds of ganimah are in fact meant for the economic betterment of poor and needy.

(B). Fai:

Another form of spoil of war is popularly known as fai revenue. A great authority on financial matters, Abu Ubaid Al Qasim b. Sallam in his classical work Kitab al Amawal writes: "A difference between ganimah and fai is

1. Ibid.,

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that the former is captured from pagans at the time actual fight. Its 1/5th portion is kept aside and remaining is distributed amongst soldiers only. It is not distributed among others. Fai is that form of wealth obtained from the conquered lands and their people once the war is over. Its 1/5th portion is not kept aside, the whole of it is distributed amongst all. Similar treatment is accorded to the wealth obtained from enemy before war. This led to birth of kharaj (rentals) which in course of time became the most important source of revenue to the Islamic state. Another distinguishing feature of the fai was that its proceeds were used to finance defence, administration and economic development. It is observed: "The Prophet used to make use of this kind of property for the benefit of the poor and orphans, etc, and as the intention is that money should not circulate among the rich only, consequently the best use of fai property is the general good of the entire community."

1. Abu Ubaid, Al-Qasim bin Sallam., Kitab Al-Amwal, (Urdu), op.cit., pp.379-80
2. Siddiqi, A.H., Public Finance in Islam, op.cit., p.105

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The command regarding fai appears in the following verses of the Quran:

"What Allah has bestowed on His Apostle (and taken away) from them- for this you made no expedition with either cavalry or camelry, but Allah gives power to His Apostles over any He pleases and Allah has power over all things" (59:6).

"What Allah has bestowed on His Apostle (and taken away) from the people of the townships belongs to Allah, to His Apostle and to kindred and orphans, the needy and the wayfarer, in order that it may not (merely) make a circuit between the wealthy among you. So take what the Apostle assigns to you and deny yourselves that which he withholds from you. And fear Allah is strict in punishment" (59:7).

"(Some part is due) to the indigent Muhajirs, those who were expelled from their homes and their property, while seeking Grace from Allah and (His) Good Pleasure, and aiding Allah and His Apostle; such are indeed the
sincere ones" (59:8).

The above verses were revealed at the time of deportation of Banu Nazir. It was a Jewish tribe which was expelled on account of breach of agreement. After its deportation the Prophet took under his control the material belongings left behind by Banu Nazir. These were not distributed amongst soldiers who took part in the expedition leading to deportation of Jews. Taking a lead from this event the righteous caliphs too distributed conquered property amongst all.

Fai was an important means contributing revenue to the Islamic state. It became so much important that zakat, sadaqat and infaq were pushed to backseat. While retaining the ownership of conquered lands the Islamic State allowed existing cultivators to exercise control over their lands and in return Kharaj was collected from them.

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2. *Jiziah:*

Jiziah is one of the most misunderstood source of revenue and it has been a major basis of criticism launched against the Prophet and Islam. In reality, however, it was not used as means of either oppression or discrimination. While believers paid zakat it was not expected that non believers would also pay zakat. On the contrary, they were asked to pay jiziah. Islamic state treated non believers as protected people. And it was for this purpose that they were asked to pay jiziah.

It is reported on the authority of Ibn'Abbas:

"The Messenger of Allah entered into a truce with the people of Najran on the following terms: they will pay to the Muslims (as Jizyah) two thousand cloaks annually, half of them is in the month of Safar*, and the rest in Rajab. They will lend out to (the Muslims) 30 coats of mail.

* Safar is the second month and Rajab is the seventh month of Islamic lunar calender."
30 horses, 30 camels and 30 weapons from all other types of arms which are used in fighting. The Muslims shall guarantee their return, in case there is unrest or revolt in Yemen, and that their Bias (worship places) shall not be demolished nor shall their priests be turned out (of churches) nor will they be tormented for their religion, until they introduce innovations into their religion or they start eating riba (interest)"¹.

Another tradition of the Prophet is reported on the authority of Usman b. Abi Sulaiman:

"The Prophet of Allah dispatched Khalid b.Walid towards Ukaidir of Dummah, who was arrested. They (the people of Dummah) brought Ukaidir to him. He (Khalid) protected him from murder and entered into a truce with him on the payment of jizyah (by the people

From the above traditions it is clear that jiziah is collected on account of provision of protection to the lives and properties of non-believers living in Islamic state. The rates are not fixed as they are determined taking into consideration the tax bearing capacity of non-believers.

The Islamic state imposed jiziah only on those men who were fit for serving in armed forces. The same was waived when non-believers offered their services to the armed forces. Jiziah was not collected from women, children, old, poor, blind and handicapped persons. Poor religious priests were also exempted from jiziah.

1. Abu Dawud., Sunan Abu Dawud, Book 19, Chapter 29
3. Heads of the Expenditure:

In normal public finance approach the expenditure follows revenue. But when the essence of Quranic verses and traditions of the Prophet pertaining to zakat and sadaqat are examined, it would be clear to us that the revenue follows expenditure. In other words the Prophet is more particular about the heads of expenditure than the sources of revenue. If we try to study the verses relating to zakat and sadaqat in chronological order it would appear to us that the dictates are related first to charitable expenditure. The issues related to expenditure such as quantity, modes of expenditure, expenditure beneficiaries, sources financing expenditure etc., evolved over a period of time, more particularly after the migration of the Prophet to Madinah. It was here that the entire institution of zakat and sadaqat got established for the reason that the Islamic state came into existence.
A few prominent features of expenditure policy as envisioned by the Prophet are enumerated as under:\n
1. Expenditure out of zakat and sadagat is not meant for rich.
2. Expenditure out of zakat and sadagat is not meant for running the administrative machinery of the state.
3. Expenditure out of zakat and sadagat is not for financing military expeditions.
4. Expenditure out of zakat and sadagat is not for maintaining internal law and order.
5. Expenditure out of zakat and sadagat is not meant for the Prophet and his progeny.
6. Expenditure out of zakat and sadagat is meant only for poor, needy and such of the heads which are enumerated in the Quran and traditions. The following Quranic verse is very often quoted to enumerate zakat beneficiaries:

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"Zakat is for poor and the needy those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to the Truth); for those in bondage and in debt; in the cause of Allah; for the wayfarer, (thus is it) ordained by Allah and Allah is full of knowledge and wisdom"(9:60).

The above enumeration of zakat expenditure represents only one side of the overall expenditure policy i.e., expenditure obligated by the Almighty Allah. The above mentioned heads are examined as under.

3.1.1. **The Needy:**

A person is needy (*faqir*) who depends upon others for his sustenance. He possesses something but not enough for his needs. He is unable on account of some physical defect to earn his living. He is compelled to beg under the stress of most straightened circumstances.
3.1.2. **The Poor:**

The poor (*masakin*) are the miserable people. They do not have enough clothes to wear and food to eat. They are fit to earn sufficiently but they are unable to do so on account of poverty and lack of resources. They are self-respecting poor men who exert their utmost to find an honest living and stand on their own feet. They are always desirous of preserving their dignity and do not like to disclose their poverty to people. Such persons deserve charity. Abu Huraira reported Allah's Messenger as saying:

"Miskin is not he who is dismissed with one or two dates, and with one morsel or two morsels. (In fact) miskin is he who abstains (from begging). Read if you so desire the verse: "They beg not of men importunately" (2:273).

3.1.3 **Zakat Collectors (’Amilina’Alaiha):**

Zakat collectors are the persons whom the Islamic government appoints in order to administer and collect zakat. These people are entitled to get their salaries
3.1.4. **Incliners Towards Truth (The mu'allafati qulub)**

This refers to the people whose hearts are made to incline towards truth. It means new converts of Islam. When a convert leaves his people, environment and society, he gets naturally ostracized. It is, therefore, a moral duty of the Muslims to assist him in every possible way. Even if the convert is well-to-do, zakat may still be given to him, so that his feeling towards Islam may be consolidated.

3.1.5. **Emancipation of Slaves (fir-riqabi):**

This means a person who wants to secure his liberty he should be given assistance out of zakat fund so that he may pay his master the required sum and release his neck from the bondage.

3.1.6. **The Debtors (Ghairimina):**

These are the people who are under the burden of debt and cannot save enough to pay-off their debts. It means that if a person, after paying his debt, is left
with possessions whose value is less than the amount of nisab, then zakat may be given to him. Jurists have, however, warned against giving zakat to persons who have incurred debts on account of extravagance, gambling, spending on amusements, etc. Zakat can only be given for the clearance of legitimate debts.

3.1.7. In the Way of Allah (Fi-sabililah):

It applies to all good acts in the way of Allah, and especially assistance to those people who sacrifice their time, energy and comforts in order to propagate the cause of Islam and defend it against the hostile enemy attacks.

3.1.8. The Way-Farer (Binissabil):

This signifies a traveller who may be well-to-do in his own place but sometimes might find himself stranded in strange locality and hence stands in need of help. Under such circumstances financial help out of zakat can be extended to him.
3.2. **Secular Expenditure:**

The other side of obligated expenditure arises out of spoils of war. As it is already mentioned above that the spoils of war are of two types, first the *ganimah* (booty), and secondly the *fai* (secular revenue). In case of war booty recipients are enumerated in the Quran in the verses 8:1,41; 59:7-10. The beneficiaries in the above mentioned verses are 1) the Almighty Allah, 2) the Prophet of Allah (8:1)\(^2\), 3) near relatives 4) orphans 5) the needy 6) the wayfarer (8:41), 7) indigent (among *muhajir*) and 8) poor among *ansar* (59:8,9). Particularly the verse 59:9 pertains to the surrender of Banu Nazir and peaceful acquisition of their property. This was distributed amongst all. Some of the heads of expenditure as mentioned above also find their place in the very often quoted Quranic verse 9:60. This shows the

1. Several forms of secular expenditure developed fully during the righteous caliphate (632-661 C.E). Their study is, however, beyond the scope of present work.

2. Since the Almighty Allah does not at all need any money and the Prophet of Allah has passed away, Muslim scholars hold an unanimous view that the share of Almighty Allah and the Prophet stands transferred in favour of needy and poor. Thus, this arrangement increases the share of poor and needy in the final transfer of funds.
concern of Almighty Allah and His Prophet towards economic uplift of weaker sections of the society.

The revenue obtained by the way of other sources such as jizia, fai (kharaj) ushur (custom duties) tax on minerals etc was distributed amongst all. "Moreover, the Prophet used to make use of this kind of property (fai property) for the benefit of the poor and the orphans, etc., and, as the intention is that, the money should not circulate among the rich only, consequently the best use of the 'fai' property is the general good of the entire community"1.

IV

Concluding Observations

In this section a few concluding observations are made regarding relevance and significance of the approach of the Prophet towards resource mobilisation and end-use of resources mobilised. "It is true that the principles given by the Prophet were given in a particular age, under particular conditions and were applied to

a particular society under entirely different conditions; but, in their application and in the method which the Holy Prophet and his companions adopted, we can find some fundamental principles which can prove equally useful and beneficial in our age for the just and rational organisation of human society.¹

The essence of the approach of the Prophet is moderation. "It is fundamental point in Islam in dealing with the problems of life, it does not temper with natural laws and principles of life inherent in human nature."² The moderate approach shuns extremism "Islam has definitely egalitarian trends but it does not believe in leveling down all differences by force. Let people think freely, believe freely, act freely, create wealth, if they can, freely but legitimately..... It is a Quranic injunction that economic life must be so organised that too much wealth does not remain locked up in private treasures. Like all religions Islam inculcates charity but it goes farther than any other creed

by imposing a capital levy on all surplus that remain unutilized in single hands for a whole year"1.

The relevance of the Prophetic approach can be studied with reference to the basis of charge, rate structure of different levies, exemption limits, and beneficiaries. When the traditions of the Prophet pertaining to the basis of charge are studied carefully, it would appear to us that the Prophet made it as comprehensive as possible. Every visible and invisible form of the then wealth was covered for zakat/tax purpose, for example, the visible items included, cattle wealth, articles of trade, agriculture produce, ownership of mines, etc. The invisible items included gold, silver, ornaments of gold and silver, jewellery, cash (in dinars and dhirams). Thus, by covering all important forms of visible and invisible wealth the Prophet has delivered a message that for the purpose of zakat/tax the base should be as broad and comprehensive as possible.

The economic advantage of a broad based taxation is that more amount of tax revenue can be collected with minimum rates. Economically, and arithmetically too, there is a close relationship between the size of the

1. Ibid., p.37

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base and rate structure. Other things remaining same, when base is wide, rates need not be high. This is exactly what we find in the approach of the Prophet. The Prophet, on one hand, included almost all forms of visible and invisible wealth in the zakat base, on the other, zakat rates were kept low. "The main principle which underlines zakat is that its burden is heavier when it pinches least and lighter when it pinches most. If the income is earned without any hard labour, a higher rate of zakat would neither be burdensome nor it would deter effort on the part of the payer. On the other hand, if the income is earned with hard labour, a higher rate would not only be felt very strongly but would also discourage hard work. Therefore, the rate of zakat on such incomes is very low"¹.

Except in case of animal wealth, the rate of zakat is mainly proportional. This again is in conformity with the modern day practice that the capital levy or a tax on wealth should be proportional. Therefore, we find that rate of zakat on gold and silver is proportional. The rate of ushr is also proportional, subject to avail-

ability of irrigation facilities. The rate of zakat on mineral wealth is also proportional.

There is some element of progression in case of zakat on animal wealth\(^1\). This is because, first, categorisation of animals is possible. Secondly, it is possible to have gradation. Thirdly, as compared to the other forms of wealth, animal wealth (particularly goat and sheep) multiplies speedily because of fast breeding. Under the present circumstances, animal wealth may not be a important form of wealth, yet the underlying principle as envisioned by the Prophet still holds good. The message is quite clear that where possible, even in the area of wealth taxation, progression can be applied.

When we look at the entire system of zakat it would be clear to us that there is definitely an element of progression. For instance, the share of state increases as follows:

1. Gold, Silver and articles of trade ---- 2.5 percent.
2. Agricultural produce------ 5 percent.
3. Agricultural produce (rainfed)-------10 percent.

\(^1\) Peerzade, Sayed Afzal., Principles of Islamic Public Finance and Policy, forthcoming, Chapter IV.

It could be, therefore, noticed that the state's share is increasing progressively from 2.5 percent to 20 percent.

We have to appreciate the economic wisdom of the Prophet who, by relating zakat/tax on agricultural produce to the actual produce and not to the size of holding, or agricultural income has solved the practical difficulties relating to the determination of ideal size of holding and estimation and computation of agricultural income. Even today it is not possible to determine as to what could be the ideal size of land holding for the purpose of agricultural taxation. Economists and policy makers do not reach to a consensus for the reason that the base, i.e., land, is by nature a heterogeneous factor of production1.

When we examine the determination of exemption level, it would appear to us that the approach of the Prophet is the most scientific. Today it is a common practice in almost all the countries that a certain level of income, expenditure and wealth is declared as

1. Peerzade, Sayed Afzal., "Islamic Perspective of Agricultural Taxation", op.cit.,
tax exempt. Particularly in case of personal income tax a certain level of income known as subsistence income is exempt from tax. This is in conformity with Engle's Law of Consumption, which maintains that at a lower level almost all income is spent on the satisfaction of basic need, hence that portion of income should be declared as tax exempt.

The Prophet too, some fourteen hundred years ago, thought of declaring certain portion of income and wealth as exempt from zakat. His approach is such that mere possession of wealth does not attract zakat. It should exceed certain level which is popularly known as nisab (minimum holding of wealth).

The other aspect of fixation of nisab is that it is expressed in real terms and not in money terms. The greatest advantage of fixing the nisab in real terms is that it carries in-built inflation indexation. The exemption level as suggested by the Prophet stands indexed automatically following changes in prices. There is no need to carry out a separate exercise to revise exemption limits, involving inflation indexation.

The approach of the Prophet towards the distribution of zakat funds still holds good even though
years have passed. While the eight beneficiaries have been enumerated in the Quran, the Prophet took the pain of identifying in clear terms the recipients of zakat funds. For instance, Quran speaks of poor as one of the recipients. The term poor, however, is defined and explained by the Prophet, in such a way that even today his explanation comes to the help of administrators of zakat fund\(^1\). Without going into the niceties of the Prophet's explanation, we can say that the nisab limit provides a line of demarcation, i.e., if a person is unable to pay zakat, he would be then a recipient of zakat.

Efforts have been made by the various scholars to examine the relevance of zakat beneficiaries through their reclassification. For example, Rasheed and Oran\(^2\) maintain that zakat beneficiaries can be broadly put into following categories, by taking into account present day requirements as well, neither increasing nor

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decreasing the number of beneficiaries mentioned in the Quran. These are:
1. Social, economic and income re-distribution ('poor' and 'needy')
2. Political reasons ('freeing of slaves' and 'whose hearts have been reconciled to the truth').
3. Administrative reason. ('collectors of zakat funds').
4. Financial and economic reasons ('debtors').
5. General welfare ('wayfarers' and 'in the cause of Allah').

Irfan ul Haque dealing with some aspects of distribution of zakat fund has re-classified eight beneficiaries into the following categories:¹
1. Poverty based categories (poor and destitute).
2. Special needs categories (debtors, wayfarers).

Thus, in the context of resource mobilisation and its end-use as envisioned by the Prophet, we can maintain that the poor and needy occupy a prime position.

They constitute the core of Islam's policy of redistribution. However, under the pretext of redistribution, the Prophet refrained himself from imposing heavy taxes, as taxes are not the only means of redistribution, notwithstanding the fact that there is adequate provision in Islamic Shariah to impose additional levies, i.e., levies not existing during the time of the Prophet.  