Some Administration Aspects of Collection and Distribution of Zakah and The Distributive Effects of the Introduction of Zakah into Modern Economics

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Foreword

This paper offers a way of estimating Zakah revenue of a country and the distributive effects of its transfer to the poor which may be of interest to the scholars as well as statesmen seriously considering the implementation of Zakah in a modern economy. It also brings out the ways Zakah can provide a means of economic cooperation among the Muslim peoples. Though the author’s views on Zakah base, rates, nisab etc. are debatable, his methods of estimation and the analysis employed are capable of being utilized even if different views are adopted to build the model.

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I

Introduction
This paper* starts with the proposition that Zakah is basically one of the five fundamental pillars of Islam; that it was made mandatory on Muslims with nisab for the purpose of supporting the indigent (fuqara’), the needy (masakin), the collectors (amilina’ alaiha), those whose hearts are to be inclined (mu-allafa-tul-qulub), ransoming of slaves (fir-riqab), the debtor (gharemin), in the cause of Allah (fi-sabilillah), and the wayfarers (ibnussabil), as per Sura 9, Verse 60 of the Holy Qur’an; and that Zakah was never meant to be used for meeting the general revenue needs of the state nor the promotion of economic development. It also affirms the proposition that Islam does not prohibit the state from imposing taxes if the need for such taxes exists or arises anew. Further, it asserts that the collection and the distribution of Zakah proceeds should be supervised by the Islamic state in order to ensure that Zakah is appropriately assessed and distributed to the specified categories of recipients. Finally, pointing out the fact that all sources of income (e.g., from trade, agricultural and mineral activities, etc.) as well as idle savings in cash and kind (e.g., precious metals) that were known to be of any importance at the time of the Prophet Muhammad (peace be upon him) were subjected to Zakah, the paper asserts that all legal (i.e., permitted by Islam) sources of income that have emerged since the time of the Prophet (peace be upon him) should also be subjected to Zakah. This point needs to be emphasized especially because at times one hears arguments against assessment of Zakah on personal income from sources such as salary income or compensation for services on the ground that very little, if any, reference to these can be found either in the

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*The author gratefully acknowledges the comments and the suggestions from the two referees on an earlier draft. The author, however, is solely responsible for any error or omission in this paper.
Holy Qur’an or in the sayings of the Prophet (peace be upon him) in connection with Zakah. Wages, salaries and compensation (including fringe benefits such as medical, sick leave, vacation with pay, pension and other retirement benefits) constitute the major segment of Gross National Income (GNI) in modern economies (for a developed country like the U.S.A. about two-thirds of the GNI), whereas they were either non-existent or insignificant part of the national economy in the days the Prophet (peace be upon him). There of is another significant difference between the two time periods. During the time of the Prophet (peace be upon him), the bundle of consumer goods was very limited. Beyond the basic necessities and a few items of comfort, the relatively wealthy had few avenues but to either hoard their wealth in the form of precious metals (gold and silver – both subject to Zakah) or to invest them in such worldly possessions as land (mainly agricultural), animals (goats, sheep, camels, horses, cows, etc.), and in trade, all of which were subject to Zakah. Today, the variety of consumer goods is so vast that one can easily spend a fortune on them. It is quite possible now that while a farmer with an annual income of say twelve thousand dollars has to pay Zakah (i.e. ushr) on his produce, a corporate executive with an annual salary of half a million dollars may not spend a penny in Zakah as he may not have any savings at the end of the year and he may not own any property or wealth on which Zakah can be levied, if one follows only the categories of sources of wealth that were subject to Zakah levy at the time of the Prophet (peace be upon him). Islam is not only a complete way of life; it is also a very rational one. It cannot allow an individual with substantial wage and salary income to go on spending every penny of it without paying Zakah, while a farmer with substantially lower income has to pay Zakah on his produce if he has the nisab. It is the contention of this writer that we must define, as a society, what is the reasonable value (that is, the sum of market prices of the items bought) of
the bundles of goods and services that each income group requires to meet the necessities, comforts and education, so that the income beyond those needs can be subjected to Zakah levy. These bundles of goods and services should be periodically revised in order to take into account the changing needs of the time. It is simply not adequate to leave it to the individuals to determine their own standards of living and then ask them to pay Zakah on whatever is left as savings at the end of the year. This task should not be difficult. Most of the Muslim countries have some experience in levying income taxes – they can bank on their past experience in determining what are the market values of the bundles of goods and services that each income group requires to maintain a decent standard of living. For each income group any personal income above the stated limit, determined in terms of the desired standard of living, should be subjected to Zakah levy. With these propositions, thus stated, let us now turn to the question of assessment of Zakah for the various modern sectors.
II

Assessment of *Zakah*:
The Various Issues

- Agricultural Sector (Including Forestry and Fisheries)
- Mining
- Manufacturing
- Construction; Electricity, Gas and Water; Transport and Communications; Trade and Finance; and Other Sectors
For the assessment of Zakah a modern economy can be divided by industrial origin into the following sectors: (1) agriculture (including forestry and fisheries); (2) mining; (3) manufacturing; (4) construction; (5) electricity, gas and water; (6) transport and communications; (7) trade and finance; and (8) other sectors (i.e., those sectors not included above). This particular type of division of an economy was chosen for this study because of the availability of some data by such sectors for almost all economies and because it allows us to dwell on the various issues related to the question of assessment of Zakah.

**Agricultural Sector (Including Forestry and Fisheries)**

Zakah on the agricultural sector, excluding forestry and fisheries, have been discussed in detail by early Muslim scholars such as Abu Yusuf⁶, Yahya Ibn Adam al Qarshi⁷, Qudama bin Ja’far⁸, Ibn Khaldun⁹, Ibn Taimiyah¹⁰, Qayyim¹¹, al Maqrizi¹², Abu Ishaq al Shatibi¹³, and in recent times by scholars like EI-Qardawi¹⁴. Besides, one can readily consult the relevant traditions of the Prophet (peace be upon him) in the first chapter of a recent book entitled *Some Aspects of the Economics of Zakah*¹⁵. *Kharaj* and *ushr* levies have been collected in various degrees throughout the Islamic history. There is some evidence that taxes, not necessarily *Zakah*, were also collected on fisheries by the Mamluks of Egypt¹⁶. This author is not aware of cases where any tax or *Zakah* were collected on forestry early Muslim periods.

Whether or not *Zakah* levies were imposed and collected on forestry and fisheries in the early Muslim periods, income from them may be subject to *Zakah* after proper *nisab* as these constitute *Amwal* (or wealth) and hence are subject to such levies. Forestry products are varied
from wood pulps, honey, honey, ivory, animal skins, animals for zoos
to animals rubber for research labs, game animals, rubber, palm oil and
by-products, and the like. In addition some forests may provide cane,
bamboo and housing materials. Forestry resources constitute a significant
proportion of GNP of a number of countries. For the purpose of Zakah
levy forestry products should be divided into various categories, and for
each category the appropriate rate of Zakah should be levied. First, we
are to ascertain whether or not the forest is a natural one – i.e., no human
endeavor or investment was incurred in building it up – or was it a
product of systematic plantation and investments. In the former case the
rate of Zakah should be the same as the one on treasure troves or mines
(i.e., one fifth as Zakah). In the latter case the forestry products should be
separated by categories. For example, the rate on bottles of honey will be
one bottle for each ten bottles17. For animals, the levies should be at the
rate for those of traded goods (‘urud, al-tijarah18). Similarly, for wood,
building materials, processed lumber, animal feed, etc., the rates for
traded goods should also be applied. Where human labour and
investment capital is significant, the rates might be half of those where
they are not, to give an example. The actual rates of levies should be
determined by each state with the consultation of the people, especially
with those who are knowledgeable about Shariah. For those who earn
salaries from working in forestries, their personal income should also be
subject to Zakah. The question of imposing Zakah levy on personal
incomes from all sources will be discussed shortly under a separate
section. The Zakah levies ought to be imposed on both privately owned
forestry products as well as on those managed by the state19. It is
important that the state ought to contribute to the general Zakah fund
from its enterprises to augment the Zakah proceeds coming from the
general public. Without the Zakah proceeds from the state run
enterprises, it is unlikely that enough funds would be raised in most of
the Muslim countries of today to meet the needs of the eight categories of
Zakah recipients. Even where the state invests most of its earnings from its enterprises for economic development benefiting its people as a whole, it still must pay Zakah on its earnings to meet the needs of the eight special categories for whose benefit Zakah was ordained on the Muslims.

Like forestry, fisheries can also be privately owned as well as state run enterprises. Zakah ought to be levied on catches of fish of both. Like forestry products, fisheries can also be either from natural sources (i.e., from lakes, canals, rivers, and oceans) where no one cultivated them, or from special farms where they are systematically cultivated and reared. If they are from natural sources, the rate of levy would be as described above for natural forestry products. For the fishery products which are the products of human investment, the rate would be the same as those for the traded goods.

**Mining**

Modern scholars seem to be unanimous with respect to the imposition of Zakah levies on mineral products. Differences on the rate of Zakah levy has been suggested for the privately owned and publicly owned mines. It is said that Imam Ahmed Bin Hambal recommended a rate of Zakah of 2.5 percent on privately owned mines (Shaikh, 1979, p. 26). For the publicly managed mines the rate has been suggested to be one fifth or 20 percent (Shaikh, 1979, pp. 26-27).

Mining is a major source of GNP in quite a few Muslim countries. In most of such countries these are owned and operated by the state. Thus, a 20 percent rate of Zakah levy on such enterprises would yield a significant amount of resources to meet the needs of the eight-category recipients of Zakah. Those who argue against imposition of Zakah on mineral resources should ponder on the point that the Qur’an enjoins all to pay Zakah on amwal – if mineral resources are not part of the amwal,
then what are they? Al-Qardaw’s explanation of the meaning of *amwal* may be useful to the skeptics22.

In addition to the *Zakah* imposed on minerals produced, it should also be levied on those who receive salaries and wages and have income above *nisab*. [There will be more about this later].

**Manufacturing**

*Zakah* on manufactured products should be at the rate for traded goods (for reasons explained in the footnote), which are well-known to the reader and will not be elaborated here23. Among the various sectors, manufacturing is probably the easiest one for the assessment and collection of *Zakah*. Wage and salary income earned from the manufacturing of course, sector should also be subjected to *Zakah* with, proper *nisab*, which is discussed in the next section.

**Construction; Electricity, Gas and Water; Transport and Communications; Trade and Finance; and Other Sectors**

For each of these sectors there are at least two components on which *Zakah* should be levied. First, in each sector some commodities or services are produced which are marketed for income. For example, the construction industry produces a large selection of building materials and fixtures (e.g., bricks, poles, paint, glass, windows, doors, light and toilet fixtures, etc.) as well as offices, plants, and residential units for sale. Income from these should be subjected to *Zakah* levy. Examples of such sources of income can also be given for the other industries included in this sub section.
The second component subject to Zakah levy is the wage and compensation income\textsuperscript{24} earned by those who are employed in these as well as in the sectors discussed earlier.

Before assessing Zakah on wage and compensation incomes of employees, the appropriate nisab for each income bracket must be determined on the basis of specific needs of each profession in each geographic area. It is not sufficient to determine a single minimum standard of living as the nisab for all wage earners\textsuperscript{25}. Different income groups may have different needs, or the same income group with different professions and/or living in different geographic areas may need different amounts of income to maintain a reasonably comfortable standard of living\textsuperscript{26}. The purpose of Zakah is not to reduce anyone’s reasonable standard of living; it is to make sure that one purifies his wealth by paying Zakah on wealth (i.e., the product of income) the which is in excess of the reasonable need of his family thereby fulfilling a mandatory obligation ordained on him by the Lord of the Universe.

For ease of collection and for making payment less burdensome on the payees, Zakah should be collected from each paycheck in a manner similar to the collection of ushr after each harvest. If, for some reason, an employee fails to earn wage income for a period within the year or has incurred unforceable but necessary large expenses, changing his nisab and hence, zakatable income, he should be refunded the extra levies already collected at the end of the year upon filing a report to the appropriate authority of the state. However, if such an employee had non-wage income on which Zakah was due, the excess Zakah paid from wage and compensation income could be adjusted to take this into account. It is quite probable that an employee who at one period paid Zakah within a year may become eligible for receiving Zakah within the same year, if for some reason he loses his source of income, bringing his income below the nisab for his income bracket. With a proper administrative
mechanism this sort of change should not take undue time and can be made painlessly.

Let us now turn our attention to the administrative setup for the collection of Zakah from various sectors.
III

Collection and Distribution of 
*Zakah*: The Administrative Setup

- Nature and Functions of Each Unit of the 
  *Zakah* Fund – A Summary
- The Administrative Setup for the Distribution 
  of *Zakah*
The cost of collection and distribution\textsuperscript{27} of Zakah is to be borne by the proceeds from Zakah as per the Qur’anic injunctions about the recipients of Zakah (Sura 9, Verse 60). However, such costs should be kept to a minimum in order that funds can be made available to the other seven types of recipients of Zakah. The administrative machinery for Zakah should be simple as well as efficient. Such is possible in the computerized and monetised economies. At the apex of a national Zakah Fund [alternatively, could be called Bait-al-Maal] should be a council, or a board of directors, who would review from time to time the assessment and the collection process of Zakah, adjustments or changes in policies with respect to collection and distribution of Zakah. This group should consist of Shariah experts, accountants, and economic analysts who would not need to be paid any remuneration if they sufficient income from other sources. They could be nominated by the people, or their representative government. Under the Council (or the Board) would be a group of professional accountants, auditors and lawyers (i.e., Shariah experts) who would not only keep records of the proceeds of Zakah coming from various administrative districts or regions, but also for auditing the reports coming from the districts (or regions).

At the district level there should also be a staff consisting of accountants, auditors and lawyers. They would be responsible for answering all questions regarding the assessment and collection procedures of Zakah from the individual as well as institutional Zakah payers, auditing of a certain percentage of the Zakah returns every year (i.e., the forms that detail the assessment of Zakah by the payees themselves) and for sending notices to the delinquent payees. Individuals and institutions would send their returns to these district offices, while the actual payment can be made through the specially designated banks in each area when the payment involved is in cash, rather than in kind.
The district office of Zakah Fund would announce which banks in which areas were designated as recipients of cash Zakah payments and would announce the common account number for the Zakah Fund. All institutions that would be deducting Zakah payments from payrolls of employees would send consolidated checks to the designated banks to be deposited to the account of the Zakah Fund at the end of each payroll period. The banks then would transfer those funds to (may be electronically) the Central Zakah Fund on designated dates or days of the month. The receipts of deposits from the banks would then be sent to the district offices by the institutional depositors. Individuals could also do the same or send their checks directly to the district office of the Zakah Fund.

Collection of Zakah in kind could prove to be quite expensive because some of these payments would need storage facilities or could cause the fund to spend money for their maintenance (e.g., animal feed for animals paid as Zakah). Zakah in kind could be transformed into cash, if preferred, by either requiring the payee to pay an equivalent amount in cash or asking him to bring his payment in kind to his immediate locality’s general administrative office (e.g., municipal office) where some designated official could sell the product and deposit the proceeds, minus the costs involved in this process, to the account of the Zakah Fund of the district. The practice of sending Zakah collectors to assess the amount of Zakah due that was in force during the time of the Prophet (peace be upon him) and the first two Caliphs is neither necessary nor practical now. With proper written forms and guidelines for completing them (all prepared in easy and appropriate language), the individuals, as well as institutions, should be able to assess the amounts of Zakah due and pay them to the appropriate authority. With increased literacy this should be feasible because even those who cannot read and write should easily be able to find someone who would be willing to
volunteer help. Offices could be setup in such localities at payment time to help those in need. The compliance to the Zakah rules and regulations can be ensured if random audits of returns are done and the offenders are brought to book.

The administrative setup for the Zakah Fund outlined here is presented in the form of an organizational chart in Figure 1 and the nature and functions of each are summarized in the following subsection.

**Nature and Functions of Each Unit of the Zakah Fund – A Summary**

**Council (or Board of Directors)**

One Council at the national level; 9 or 11 members consisting of Shariah experts, accountants, auditors, and economic analysts; members, preferably non-paid and part-time workers; nominated or selected by the people through their representative government; principle duty is policy making with respect to fair assessment and distribution procedures of Zakah.

**Office of the Chief Administrator**

At the national level; consisting of a Chief Administrator and his staff of professional accountants, auditors and lawyers (Shariah experts); all paid full-time employees appointed on the basis of qualifications; duties are: (1) keeping of records of Zakah proceeds coming from districts or regions, various administrative (2) auditing of financial reports submitted by district offices, (3) personnel decisions with respect to staff in the district offices, (4) preparation and distribution of forms, booklets of rules and guidelines for paying Zakah, (5) the training of district level staff of the Zakah Fund, and (6) keeping of records of disbursements of Zakah Funds to the appropriate administrative bodies.
FIGURE 1: ORGANIZATIONAL CHART FOR THE ADMINISTRATION OF THE ZAKAH FUND
District or Regional Offices of the Zakah Fund

At the local administrative level consisting of professional staff as explained above under the Office of the Chief Administrator; full time paid staff; duties are: (1) maintenance of proper records of payment of Zakah by all payers in the district, (2) supplying of forms, information booklet to the payers of Zakah, (3) answering all questions regarding the assessment and collection procedures of Zakah, (4) providing practical assistance in the preparation of Zakah returns to those needing such help, (5) auditing randomly certain percentages of the returns, (6) imposition of fines for deliberate falsification of documents and for delinquency in the payments of Zakah without just cause, and (7) referring special cases to Shariah courts where legal interpretations are needed before any fine can be handed down to the defaulters.

Designated Banks

At the local level; one branch of a bank in each area; duties are: (1) to maintain properly the account of the Zakah Fund and (2) to transfer such funds promptly to the central account of the Zakah Fund; no payment to the banks for such services because it would be a required service for all banks (it is assumed here that all Muslim countries have branch banking); the central bank of the country may reciprocate by giving some special assistance to the banks in lieu of this service, if needed.

Local General Administrative Offices of the Local Governments

Municipal offices, where no such offices exist, the lowest layer of the executive branch of the government, an office within such governments be made responsible for receiving Zakah payments; duties payments in kind, are: (1) to receive Zakah (2) to maintain them and to sell them for cash, if necessary\(^2\), (3) if sold, to deposit the sale proceeds of Zakah payments in kind to the account of the Zakah Fund in the designated bank of the area, after deducting his costs including payment
for the actual time devoted for the task, and (4) finally, to process the necessary papers for distributing Zakah. They would be answerable to the district officials of the Zakah Fund for activities related to the collection of Zakah only.

**Institutional Zakah Payers**

Includes all employers in the fields of business, industry, government (civil as well as military), and other institutions which deduct Zakah payments from payrolls; duties are: (1) to deduct assessed Zakah payments from the pay-checks of employees, (2) to deposit the collected funds to the designated banks and sending the receipts of deposits to the district offices of the fund, and (3) to prepare and to pay Zakah on the incomes of these organizations (e.g., from sales of merchandise or services).

**Individual Zakah Payers**

Includes all individuals with nisab who owe Zakah on incomes other than wage and compensation (which would be deducted by the employers); duties are (1) to assess (with the help of appropriate official forms and their guidelines for filling them in) the payable Zakah on the various types of zakatable wealth; (2) to file these returns with the district offices; and (3) to pay the Zakah due either directly to the district offices or through the designated banks.

**Special Note**

Shariah Courts must necessarily exist. With respect to Zakah they would hear any dispute brought by any person regarding any aspect of Zakah. This would be necessary in order to keep everyone in line whether they be the individual payers of Zakah, those responsible for assessing or collecting or distributing Zakah, as well as those entitled to receive Zakah.
The administrative setup discussed here is relatively simple and workable in the opinion of this author. Banks are suggested to be the depositories of *Zakah* funds because (1) banks are used to dealing with money and keeping records of all transactions, (2) banks are less likely to be tempted to squander or misappropriate funds, and (3) they are required to complete tabulations of all transactions on a daily basis so that up-to-date figures on *Zakah* funds can be maintained.

The council to be setup at the national level is suggested to be an advisory body. The need for such a body is there because the *Shariah* is not absolutely clear about the assessment and, in some cases, the distribution of *Zakah* on every specific kind of property, so there must be some group of individuals who are there to resolve such cases. The policies formulated by the Council and its specific interpretations are then put into a workable administrative action by the Office of the Chief Administrator and his District or Regional Offices. The functions of these two offices as described above are quite simple and should minimize red tape. Since these two offices simply facilitate the collection of *Zakah* funds but do not actually receive them (the funds stay in the banks in the account of *Zakah* Fund), they gain little by delaying the process through red tape. Besides, there is no reason why a public servant should be kept on payroll when he is not performing his duties.

The proposed administrative setup suggests that each country also uses its local governments (i.e., Local General Administrative Offices of the Local Governments) for receiving (and disbursement, where possible) *Zakah* payments in kind. This would be an additional responsibility of the existing local government. This will avoid setting up a whole new bureaucracy. The existing local bodies deal with the local people and are familiar with the local problems and, as such, should be the natural choice for this function.
The Administrative Setup for the Distribution of Zakah

The distribution of Zakah proceeds among the eight categories of recipients should be the responsibility of a regular ministry or department of the executive branch of the government and not that of the Zakah Fund. This is to minimize administrative expenses as to prevent the emergence of other bureaucratic machinery. The proposed distribution setup has been presented here from the bottom layer (i.e. the recipients) onwards to the top.

The intended recipients or Zakah (or their relatives or a social worker representing the intended recipient or perhaps a friend) would approach the designated official of the local government and procure the necessary forms to apply for Zakah funds. The forms duly filled and signed by the recipients or their representatives would then be submitted to the local government office for processing either by person or by mail. A local body consisting of the official of the local government and a number of Imams of the local mosques or social workers should then go over the applications and recommend amounts of Zakah to be received by each applicant. This review of applications could be done once a month or twice a month in a general meeting open to all. This local body (let us call it Local Zakah Committee), would then send to the office Ministry of Social Welfare (or some similar ministry) a request for funds needed to meet all the local claims. The appropriate department of the ministry, called the Department of Zakah, would then analyse all the requests, determine, after consultation with the Zakah Fund, how much Zakah money would be available for each locality. If the requests were more than the total Zakah proceeds collected, then the officials of the Department of Zakah would either reduce the actual sums sent to each community or would try to procure additional funds from the Ministry of Finance, which would extend the fund from whatever general tax revenues which might exist. If, however, the requests of Zakah funds
were less than the amount of Zakah collected, the surplus could be utilized to improve the general economic condition of the poor (such as job training programs, teaching better farming techniques, repair/maintenance training, etc.). The role of the Department of Zakah would be to procure funds for distribution from the Zakah Fund and, if necessary, from other sources and then no forward (i.e., authorize the banks to release the funds) the funds directly to the local government office where it would be distributed to the recipients by the Zakah Committee. Thus, the distribution of Zakah would be a three step process: First, the Zakah recipients or their representatives (relative, friend, social worker) would file an application form with the designated office of the local government; second, the Local Zakah Committee would then review the applications and recommend sums to be given to each applicant after which they would inform the office to the Department of Zakah what is the total sum needed for meeting the claims for action; third, the officials of the Department of Zakah would then add up the requested sums coming from all localities and determine the total amount needed to meet the demand, then procure the funds from the Zakah Fund and, if needed, additional funds from other sources, and send the payment authorization to the local government offices; fourth, the local Zakah Committee would then distribute the funds to the applicants. This four-step process is shown in Figure 2.

The Local Zakah Committee plays the pivotal role in the distribution of Zakah under this proposed administrative setup. The role of the Department of Zakah is that of a coordinator of Zakah funds – that of matching claims with payments nationwide. It is important to have a national organization to perform this function of coordination because of regional (or localized) economic disparities which may isolate the recipients of Zakah from the payers of Zakah or from the real needy from those who can survive without the funds.
FIGURE 2: SCHEMATIC SETUP OF THE ZAKAH DISTRIBUTION PROCESS
IV

Distributive Effect of Zakah:
Simulation of Two Economics

- Simulation of the Economy of Country A
- Simulation of the Economy of Country B
In this section an attempt is made to simulate the distributive effects of Zakah on two economies— one very poor with a per capita income of around $100 and the other relatively rich with a per capita income of around $11,000. The former is referred to as Country A, and the latter as Country B. Country A is densely populated and has a population of about 70 million, while Country B is very sparsely populated with a total population of about 7 million. The former is basically an agricultural country and is considered to be a resource-poor country, while the latter is heavily endowed with valuable mineral resources and is a capital surplus country.

The two economies do not necessarily reflect any of the actual Muslim countries. No specific country has been used for reasons explained in footnote 30. The purpose of the analysis is to demonstrate how actually to generate the required data and how to simulate the actual economies to arrive at an estimation of the distributive effects of Zakah.

**Simulation of the Economy of Country A**

The Gross Domestic Product (GDP) by industrial origin for Country A for the year 1982 is known to be $7 billion for a population of 70 million giving a per capita income of $100. Even though the per capital income indicates abject poverty of the majority of the people of the country, yet there exist sizeable income disparities between various income groups. This is evident from the data on the sectoral composition of GDP as well as the size of population dependent on each sector (number of workers in each sector multiplied by the average size of families in the country, data for which are available). To derive the income distribution figures from the sectoral GDP data, we use the occupational distribution data and convert them into income distribution figures by using median income figures of various categories of workers.
within each occupational category, and check these estimates against the GDP aggregates for consistency. The resulting income distribution figures are presented in Table 1, under Alternative 1 (A-I). Alternatives 2 and 3 show income distribution figures when we use weighted average and simple arithmetic incomes for the occupational categories, rather than median incomes. These alternative estimates indicate how sensitive the results can be depending on what we assume to be the representative income distribution pattern of the country.

In Table 1 and in the following tables we divided the population into decile groups. The per capita income for each decile group in each alternative is estimated as explained at the end of the table. Using the estimated data of Table 1 we then estimated the approximate nisab for each decile group under the separate the end of the alternatives and derived the approximate Zakah payment or receipt by each group in Table 2. The estimation procedures for the various figures are explained in the table in the form of notes and sources.

A few additional comments are in order. The minimum per capita (yearly) income as nisab was taken to be $125 or about $0.34 per day per person. It is doubtful that an amount less than this can provide any sort of minimum bare existence living standard even to the people of a very poor country. The nisab for the population in the 8th, 9th and the top deciles were estimated as approximations of the weighted averages for occupational groups in each decile. Occupations are assumed to influence living standards.
Table 1
DISTRIBUTION OF INCOME IN COUNTRY A: THREE ALTERNATIVES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of GDP in the Group</td>
<td>Per Capita GDP for the Group (Dollar)</td>
<td>Percentage of GDP in the Group</td>
</tr>
<tr>
<td>Bottom Decile</td>
<td>3.3</td>
<td>33</td>
<td>4.0</td>
</tr>
<tr>
<td>2nd Decile</td>
<td>4.6</td>
<td>46</td>
<td>6.0</td>
</tr>
<tr>
<td>3rd Decile</td>
<td>5.2</td>
<td>52</td>
<td>8.0</td>
</tr>
<tr>
<td>4th Decile</td>
<td>6.5</td>
<td>65</td>
<td>8.5</td>
</tr>
<tr>
<td>5th Decile</td>
<td>7.0</td>
<td>70</td>
<td>9.5</td>
</tr>
<tr>
<td>6th Decile</td>
<td>8.8</td>
<td>88</td>
<td>10.6</td>
</tr>
<tr>
<td>7th Decile</td>
<td>10.2</td>
<td>102</td>
<td>11.0</td>
</tr>
<tr>
<td>8th Decile</td>
<td>12.3</td>
<td>123</td>
<td>12.0</td>
</tr>
<tr>
<td>9th Decile</td>
<td>15.1</td>
<td>151</td>
<td>13.5</td>
</tr>
<tr>
<td>Top Decile</td>
<td>27.0</td>
<td>270</td>
<td>16.9</td>
</tr>
</tbody>
</table>

Source: (i) See the text of explanation about the population and GDP figures.
(ii) Percentages of GDP for each decile are estimated figures.
(iii) Per capita GDP for each decile is estimated the following way:

Example: for A-1, Bottom Decile

10 percent of the total population of 70 million (i.e., 7 million) has 3.3 percent of the total GDP of $7 billion. That is, 7 million people have $231 million (3.3% of $7 billion = $231 million), or per capita GDP for this decile is $33 (231 million ÷ 7 million people). GDP per capita for the rest of the deciles were calculated in a similar fashion.
Table 2

*NISAB*\(^{\text{a}}\) **FOR EACH INCOME GROUP AND APPROXIMATE ZAKAH PAYMENTS OR RECEIPTS BY EACH GROUP FOR COUNTRY A:**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nisab Per Capita Dollars</td>
<td>Total Zakah Payment (+) or Receipts (-) in Millions $</td>
<td>Nisab Per Capita Dollars</td>
</tr>
<tr>
<td>Bottom Decile</td>
<td>125</td>
<td>-29.95</td>
<td>125</td>
</tr>
<tr>
<td>2nd Decile</td>
<td>125</td>
<td>-25.71</td>
<td>125</td>
</tr>
<tr>
<td>3rd Decile</td>
<td>125</td>
<td>-23.76</td>
<td>125</td>
</tr>
<tr>
<td>4th Decile</td>
<td>125</td>
<td>-19.53</td>
<td>125</td>
</tr>
<tr>
<td>5th Decile</td>
<td>125</td>
<td>-17.90</td>
<td>125</td>
</tr>
<tr>
<td>6th Decile</td>
<td>125</td>
<td>-12.04</td>
<td>125</td>
</tr>
<tr>
<td>7th Decile</td>
<td>125</td>
<td>-7.49</td>
<td>125</td>
</tr>
<tr>
<td>8th Decile</td>
<td>126(^b)</td>
<td>-0.93</td>
<td>126(^b)</td>
</tr>
<tr>
<td>9th Decile</td>
<td>130(^c)</td>
<td>+6.84</td>
<td>127(^c)</td>
</tr>
<tr>
<td>Top Decile</td>
<td>135(^d)</td>
<td>+43.94</td>
<td>130(^d)</td>
</tr>
<tr>
<td>Total</td>
<td>---</td>
<td>-86.58</td>
<td>---</td>
</tr>
</tbody>
</table>

\(^{\text{a}}\) Nisab is defined as the minimum income needed for maintaining a reasonable level of standard of living. $125 per head or $0.34 per day is assumed to be the minimum amount needed in Country A to keep the body and the soul together.

\(^{\text{b}}\) The Nisab for this decile is slightly higher than the minimum living standard of $125 because of assumed different lifestyles necessitated by occupation, education, etc. discussed earlier in the text.

\(^{\text{c,d}}\) These are again higher than the 8th decile for reasons explained under \(^{\text{b}}\) above. The top decile includes people in the high society who are expected to entertain large groups, give gifts and so on.

**SOURCES:** Based on Table 1 and following estimation procedure:

(i) Total Zakah receipts (-) were estimated by taking the differences between *nisab* and per capita income and multiplying those numbers by the population in the decile to arrive at the estimate.
(ii) Total Zakah payments were estimated by taking the difference between per capita GDP and nisab and multiplying the resulting figure with the population of the decile to arrive at the zakatable income on which a composite rate of Zakah of 4.65 percent was assessed on the basis of the shares of various sectors to the GDP. Agriculture, forestry and fisheries, constituting 61.3 percent of the GDP was assumed to be paying a 6 percent rate (because of varying rates of Zakah and ushr on agriculture, and divergent rates on forestry and fisheries products) while the rest of the other sectors, contributing 3.37 percent of GDP, was assumed to be contributing 2.5 percent on the zakatable income. The weighted composite rate comes to about 4.65 percent.

The amounts of Zakah receipts, or negative Zakah payments, were estimated by multiplying the differences between nisab and per capita incomes with the population figures. Zakah payments, on the other hand, were estimated by first estimating the zakatable incomes in each group minus (zakatable income = per capita income minus nisab multiplied by the population in the decile) and then applying the composite rate of Zakah [see Source (ii) of Table 2 for details] on such income to derive the Zakah payments31.

It should come as no surprise to anyone that under the present economic conditions the amount of Zakah collected can meet only a fraction of the payments needed even to ensure a minimum standard of living to all. Alternatives 1, 2, and 3 show deficits of about 87, 84, and 92 million dollars, respectively. If government is interested in meeting the obligations of Zakah payments to the eight prescribed categories, it must either raise funds through taxes or redistribute resources way to raise productivity while ensuring more equitable distribution of income, or seek in a more help from other nations who are willing to lend a hand.

Introducing Zakah would still improve income distribution in Country A and would bring beneficial effects on its economy. This is because at present the poor, especially those living in the rural areas (i.e.,
the overwhelming majority of the poor) often bear the brunt of the land revenues and property taxes collected, political while the rich, because of their clout, sometimes avoid payments of taxes. Moreover, most of the tax revenues that are collected by the government from various sources are spent on maintaining or providing services in the urban areas benefiting very few of the rural poor. Since Zakah proceeds are to be spent on specific categories only, whatever are collected as Zakah would benefit the needy and the poor.

Let us now look at the redistributive Zakah\textsuperscript{32}. The payments of Zakah under the different alternatives would be either about $51 million (A-1) or $15 million (A-2) or $47 million (A-3). These amounts would be redistributed among the poor and the needy and the other categories of recipients all of whom have high marginal propensity to consume (MPC) any additional income\textsuperscript{33}. Their MPC may be as high as 100 percent or close to it. Let us assume it is either 90 percent or 95 percent or 99 percent. Let us look at the multiplier effect of this sort of MPC given the redistribution of Zakah payment from the relatively better off to the poor. A 90% MPC implies a multiplier of 10, while 95 percent implies 20, and 99 percent a multiplier of 100. The distribution of Zakah would bring the multiplier forces to work via induced investment to meet multiplied increases in demand for consumption goods. Since the increased demand would be mainly for basic goods (e.g., food, clothing and shelter), the redistributive effect would be to induce further growth in these sectors, while reducing the demand for a few imported goods by the rich whose disposal income would now be slightly smaller due to the payment of Zakah. The extent of increases in the production of basic goods as a result of the redistribution of income would depend on a number of factors, such as: (1) amounts of new investment to meet the increased production, (2) the swiftness with which savings (1 - MPC) are translated into investment, and (3) the elasticities of supplies of the factors of
production. One can visualize a situation of significant increases in income and employment because of the size of the multiplier and the existence of the resources needed to produce these labour intensive (requiring only simple technology which are easily available) basic goods. Thus, if we take A-l with an MPC of 90 percent, an increase in investment of say $5 million at the initial period, we could expect to see an increase of $50 million in the GNP by the time the multiplier effect is fully realized. This increase in income (hence, in production and employment) will be in addition to the increases in spending and income resulting directly from the transfer of resources from the relatively rich to the poor. This assumes, of course, that the rich were not utilizing these funds (i.e., funds paid as Zakah) in socially desirable goods and services.

However, roughly these estimates are made, one thing should be clear -- that some redistribution of income in the form of Zakah would be beneficial to the country because resources would be transferred from those who do not need them badly enough to those who do. The latter is expected to use it more carefully than the former and, thus, this would increase overall economic productivity of the country.

**Simulation of the Economy of Country B**

The GDP by industrial origin for Country B for the year 1932 was $77 billion for a population of 7 million with an estimated per capita income of $11,000. In Table 3 we present estimated data on income distribution derived in the same way as for Country A. Table 4 shows the nisab and Zakah payments (+) or - receipts (-) for the individual decile groups under three alternative sets of assumed data. The estimation procedure for the data in each table was explained by footnotes and sources of data.
Table 3
DISTRIBUTION OF INCOME IN COUNTRY B:
THREE ALTERNATIVES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of GDP in the Group</td>
<td>Per Capita GDP for the Group (Dollar)</td>
<td>Percentage of GDP in the Group</td>
</tr>
<tr>
<td>Bottom Decile</td>
<td>1.5</td>
<td>1,155</td>
<td>0.9</td>
</tr>
<tr>
<td>2nd Decile</td>
<td>2.5</td>
<td>1,925</td>
<td>1.3</td>
</tr>
<tr>
<td>3rd Decile</td>
<td>3.2</td>
<td>2,464</td>
<td>1.9</td>
</tr>
<tr>
<td>4th Decile</td>
<td>4.5</td>
<td>3,465</td>
<td>3.5</td>
</tr>
<tr>
<td>5th Decile</td>
<td>5.6</td>
<td>4,312</td>
<td>3.9</td>
</tr>
<tr>
<td>6th Decile</td>
<td>7.0</td>
<td>5,390</td>
<td>5.2</td>
</tr>
<tr>
<td>7th Decile</td>
<td>8.0</td>
<td>6,160</td>
<td>7.3</td>
</tr>
<tr>
<td>8th Decile</td>
<td>13.0</td>
<td>10,010</td>
<td>11.8</td>
</tr>
<tr>
<td>9th Decile</td>
<td>16.5</td>
<td>12,705</td>
<td>14.1</td>
</tr>
<tr>
<td>Top Decile</td>
<td>38.2</td>
<td>29,414</td>
<td>50.1</td>
</tr>
</tbody>
</table>

Source:  
(i) Percentage of GDP in the decile groups are all estimated in the manner described for Country A.  
(ii) Per capita GDP for each decile is computed in the same way as was done in Table 1:
Table 4

**NISAB FOR EACH INCOME GROUP AND APPROXIMATE ZAKAH PAYMENTS OR RECEIPTS BY EACH GROUP FOR COUNTRY B:**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nisab Per Capita</td>
<td>Total Zakah Payment (+) or Receipts (-) in Millions $</td>
<td>Nisab Per Capita</td>
</tr>
<tr>
<td>Bottom Decile</td>
<td>1,800</td>
<td>-33.0</td>
<td>1,500</td>
</tr>
<tr>
<td>2nd Decile</td>
<td>1,980</td>
<td>-2.8</td>
<td>1,650</td>
</tr>
<tr>
<td>3rd Decile</td>
<td>2,277</td>
<td>+9.4</td>
<td>1,898</td>
</tr>
<tr>
<td>4th Decile</td>
<td>2,619</td>
<td>+42.6</td>
<td>2,182</td>
</tr>
<tr>
<td>5th Decile</td>
<td>3,142</td>
<td>+59.0</td>
<td>2,619</td>
</tr>
<tr>
<td>6th Decile</td>
<td>3,771</td>
<td>+81.6</td>
<td>3,142</td>
</tr>
<tr>
<td>7th Decile</td>
<td>4,713</td>
<td>+72.9</td>
<td>3,928</td>
</tr>
<tr>
<td>8th Decile</td>
<td>5,892</td>
<td>+207.6</td>
<td>4,910</td>
</tr>
<tr>
<td>9th Decile</td>
<td>7,659</td>
<td>+254.3</td>
<td>6,628</td>
</tr>
<tr>
<td>Top Decile</td>
<td>9,957</td>
<td>+980.6</td>
<td>8,948</td>
</tr>
<tr>
<td>Total</td>
<td>---</td>
<td>+1,672.2</td>
<td>---</td>
</tr>
</tbody>
</table>

**SOURCES:**

(i) The *nisabs* for the bottom deciles were estimated on the basis of income needed for leading a simple life in rural surroundings. The *nisabs* for the remaining deciles were then estimated by adding percentage increases of 10 percent from decile 1 to decile 2, 15 percent added to that for the 3rd decile + 15 percent for the 4th decile + 20 percent each for the 5th and 6th deciles + 25 percent each for the 7th and 3th deciles. For A-1 the increase was from the 8th to the 9th decile, and from the 9th to the 10th decile 30 percent each. For A-2 and A-3 the increases for the last two deciles were 35 percent and 40 percent, respectively. These changes reflect the changes in living standards, say, from riding a bus to work to owning and driving a car; from a small radio to radio-cassette player-recorder; from a black and white TV to a colour TV or to a video set, etc. They also reflect...
changes in residential accommodation, educational habits, traveling and entertainment, etc.

(ii) Zakah payments (+) or receipts (-) were estimated in the same manner as was done for Country A (see Table 2). The composite rate of Zakah for Country B was estimated to be 7.2 percent [10 percent rate on mineral resources (after adjusting gross income from mineral resources by 50 percent for costs, royalties, etc., otherwise the rate would have been 20 percent), contributing 62.65 percent of GDP + 5 percent on agriculture, contributing 0.1 percent to GDP + 2.5 percent on all the other sectors, and contributing 37.25 percent to the GDP].

Table 4 shows that the first two deciles under all three alternatives are eligible to receive Zakah payment while the 3rd decile under Alternative 2 is also net recipient. Overall, the amounts of Zakah received would be miniscule compared to the total amounts collected. Anywhere between $1.7 billion about $2 billion would be collected net to of disbursements. The data on amounts of net Zakah payments would be quite sensitive to the assumption one makes about the net income from mineral resources (i.e., gross revenue from sales of minerals minus the costs of producing them including royalties to the foreign producers and distributors). For Table 4 such costs were assumed to be 50 percent of the gross revenue and the Zakah was assessed at the rate of 10 percent to reflect this assumption. Suppose this figure is only 25 percent. If this was so it would change the composite rate of Zakah from 7.2 percent to 10.33 percent. The effect of this change (other things remaining unchanged), is shown in Table 5. The Zakah payments rise approximately by $700 million or by about 43 percent over the ones presented in Table 4.
Table 5

ZAKAH PAYMENTS OR RECEIPTS BY EACH GROUP FOR COUNTRY B – UNDER A SECOND COMPOSITE RATE OF ZAKAH

<table>
<thead>
<tr>
<th>Decile Group</th>
<th>A-1</th>
<th>A-2</th>
<th>A-3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Zakah Payment (+) or Receipts (-) in Millions Dollars</td>
<td>Zakah Payment (+) or Receipts (-) in Millions Dollars</td>
<td>Zakah Payment (+) or Receipts (-) in Millions Dollars</td>
</tr>
<tr>
<td>Bottom Decile</td>
<td>-46.6</td>
<td>-58.4</td>
<td>-52.5</td>
</tr>
<tr>
<td>2nd Decile</td>
<td>-4.0</td>
<td>-46.9</td>
<td>-3.2</td>
</tr>
<tr>
<td>3rd Decile</td>
<td>+13.5</td>
<td>-31.5</td>
<td>+16.1</td>
</tr>
<tr>
<td>4th Decile</td>
<td>+61.2</td>
<td>+37.1</td>
<td>+54.7</td>
</tr>
<tr>
<td>5th Decile</td>
<td>+84.6</td>
<td>+27.8</td>
<td>+70.1</td>
</tr>
<tr>
<td>6th Decile</td>
<td>+117.1</td>
<td>+162.6</td>
<td>+128.7</td>
</tr>
<tr>
<td>7th Decile</td>
<td>+104.6</td>
<td>+161.4</td>
<td>+162.2</td>
</tr>
<tr>
<td>8th Decile</td>
<td>+297.8</td>
<td>+368.8</td>
<td>+332.2</td>
</tr>
<tr>
<td>9th Decile</td>
<td>+364.9</td>
<td>+439.4</td>
<td>+366.0</td>
</tr>
<tr>
<td>Top Decile</td>
<td>+1,406.9</td>
<td>+1,479.9</td>
<td>+1,525.7</td>
</tr>
<tr>
<td>Total</td>
<td>+2,400.0</td>
<td>+2,540.2</td>
<td>+2,600.0</td>
</tr>
</tbody>
</table>

SOURCES:

(i) See Table 4.

(iii) The composite rate of Zakah for this table is 10.33 percent as against 7.2 percent for Table 4. All other estimates remain unchanged.
The redistributive effect of Zakah is not likely to be as significant in Country B as it would be in A. Not only that a relatively fewer people would be the recipients of Zakah, but also their incomes are not far below the nisab and, as such, their marginal propensities to consume would be smaller and so would be the resultant multiplier effect.

Country B could opt for distributing its surplus Zakah funds to Country A and/or other poorer Muslim countries where the claims of Zakah recipients cannot be met from the funds collected for that purpose. This way it would not only help the poorer countries, but indirectly itself, through increased exports to these countries because of the foreign trade multiplier effect of rising incomes. This would also further the bonds of fellowships and unity of purpose among all Muslims. The political fallout of such an action could also be enormously favourable to the causes of the Muslim world.
IV

Summary and Conclusion
In this paper we presented an administrative setup for the collection and the distribution of Zakah by an Islamic state. Our contention is that the collection and the distribution of Zakah should be supervised by the Islamic state in order to ensure that Zakah is appropriately assessed and distributed to the specified categories of recipients. In this we urged that the precedent established by the Prophet (peace be upon him) and the first two Caliphs be followed, rather than depending on individual citizens to carry out their obligations.

We then briefly discussed the importance of assessing Zakah on wages and compensation and on other forms of income that have emerged as significant sources of income since the time of the prophet (peace be upon him). The opinions of various schools of thought on assessment of Zakah on certain sectors of the economy were referred to where there were differences of opinion.

We then laid down the features of an administrative setup for the collection and distribution of Zakah. We believe this is functional, simple, and can be setup with relative ease. This setup will minimize bureaucratic red tape and will be relatively cheap to run, while allowing the local communities the control over the distribution of Zakah.

Finally, we presented simulated results of the distributive effects of Zakah for two economies - one very poor, the other relatively rich. The purpose of the simulation was to show how to extract data on income distribution from published macro-data on GDP and occupational distribution, and then how to analyse the data to show the redistributive effects of Zakah on particular economies. We believe such a simulation model can be applied by the responsible planners and policy makers who are entrusted with the task of assessing the distributive effects of Zakah on their countries.
1. Scholars vary in their opinions about the circumstances under which the state can or cannot tax its citizens. The interested reader may consult Yousef EI-Qardawi’s chapters on Tax and Zakah [Fiqh al-Zakah, Urdu translation by Shams Pirzada (Bombay: Adarat-e-Dawat al Quran, 1980)] for further information. Please also see the Reference section at the end of this paper. It is well known that throughout the Islamic history we find the states imposing various temporary and not so temporary taxes to meet their revenue needs. For more information see the article by Akbar Mhammad in Some Aspects of Economics of Zakah (1981).

2. From the time of the Prophet Muhammad (peace be upon him) ‘till the time of Caliph Othman Zakah was collected and distributed by the state and there are numerous references in the hadith literature to Zakah collectors. It was Caliph Othman who delegated the payment of Zakah, on non-apparent property, to Zakah payers themselves. Since the time of Othman the property subject to Zakah has been distinguished into two broad categories, viz, non-apparent property and apparent property. According to the Hanafite and Al-Shafiite schools, Zakah proceeds from the former do not belong to the state treasury, while the latter might. The Malikites join the two categories together and suggest that the Imam might disburse the entire proceeds. For more details please see (Aghnides, Muhammedan Theories of Finance, Part II, Chapter III and IX, New York: 1916).

3. All schools of fiqh (following the implication of Quranic text that Zakah revenue is strictly earmark for eight categories of recipients) insist that Zakah fund (Bait-al-Maal al-Zakah) must be separate from the state public treasury (Bait-al Maal ai-‘am). This separation is also well recognized by Aghnides (p. 431) among many others.

For further information see pp. 70-79 of Some Aspects of the Economics of Zakah.

4. This executive, if he is an American, might have bought with his after-tax income a Rolls Royce, a sports car, fur coats for his wife and daughters, a cabin-cruiser, video equipment and processors, personal computer-cum-word processor, electronic games, a vacation house, memberships in country clubs or some other type of exclusive club, family vacations in resort areas, a few top-rated paintings and antiques, a portfolio of securities, and the like after meeting the basic necessities for food, clothing, shelter, and
education. For the second year he can spend on another bundle of consumer goods and tax exempt portfolio of securities. He can do the same for the third year and so on as an ever increasing number of sophisticated goods and services are entering into the market every year.

5. Dr. Abdin A. Salama in his "Fiscal Analaysis of Zakah with Special Reference to Saudi Arabia’s Experience in Zakah" (1978) lists income from employment (item h) as subject to Zakah. In his list it is the last item possibly because this was not a source from which Zakah was collected in the initial days of Islam as income from employment was negligible in those days. It appears to this author that income from employment will be the most significant source of Zakah in modern economies.


10. Ibn Taimiyah’s ideas on economics can be found from his various works, such as al Hisbah fi’l Islam, al Siyasah al Shariyah fi Islah al Ra‘i wa’l Ra‘iyah, Fatawa, and Rasa‘il. His works on economics have been summarized in a recent Ph.D. thesis by Abdul Azim Islahi (1980).

11. Ibn Qayyim’s contribution to Islamic economics can be found from his works, such as al-Turaq al Hukmiyah fi al-Siyasah al Shariyah, Il’m al-Muwaqqiin, Zad al Ma‘ad, and ‘Iddah al-Sabirin, etc.
However, a good summary of his ideas can be found in a recently completed paper by Abdul Azim Islahi entitled “Economic Thoughts of Ibn Qayyim”.

12. For reference to Maqrizi’s work, such as *al-Khitat* and *Suluk*, see Islahi’s Ph.D. thesis (op cit., Chapter 1).


15. See appendix of Chapter 1 on *Some Aspects of the Economics of Zakah*, (op cit).

16. Reference to this can be found in Maqrizi’s *Kitab al Saluk* (Cairo: Lajnah al Talif wa’l Tarjamah, 1956, Vol. II, pp. 382, 455 and 459) and Maqrizi’s *al Khitat* (op cit., Vol. 1, p. 233).

17. For example see p. 58 of the *Zakah* book, edited by Zaman (op cit) where this tradition was quoted from *Mishkat al-Masabih* on the authority of Tirmizi and reported by Zainab, wife of Abdullah (see the tradition #69).

18. “The Arabic word for article is ‘urud, plural of ‘arad or ‘ard, meaning wealth in general except gold and silver.” (Aghnides, op cit., pp. 249). For details about the *Hanafite*, *Al-Shafiite* and *Malikite* views on articles of trade and under what condition *Zakah* can be levied on them, please see pp. 249-261 of above. The *Hanafites* believe *Zakah* is due on them even though some products cannot be preserved for a year, while *Malikite* and *Al-Shafiite* disagree on it. The latter two schools also limit items on which *Zakah* can be levied.

19. There is a difference of opinion as to the payments of *Zakah* on state managed properties. This author prefers the imposition of *Zakah* on such properties on ground explained in the text.

20. One of the referees pointed out that there is a difference of opinion among the jurists with respect to the imposition of *Zakah* in cases where fish storage or drying facilities are not available.

22. See pp. 75-77 of the Urdu translation of his *Fiqh al-Zakah* (op cit.).

23. The reader may consult Shaik’s paper or that of Salama and El-Qardawi, among others. This author feels that manufactured products should be treated as traded goods rather than monetary hoards or agricultural products because the *intention of trade* is the principle motive behind production. For a detailed analysis of the views of the three schools of jurists on *intention of trade* please see Aghnides, op cit., pp. 250-254.

24. Compensation income includes such fringe benefits as paid vacations, free medical allowance, pension and retirement benefits, and the like. In some societies these constitute a significant portion of some employees’ overall income.

25. This author realizes that this view about *nisab* is not shared by all schools of thought. There is a significant difference of opinion as to the question of estimation of *nisab* for different types of property and according to the time period they are held by the *Zakah* payers. (See Chapter II of Aghnides, op cit., and *Zaman*, op cit., Chapter I).

As a matter of fact the author’s views on *nisab* the *Zakah* base and its rate are not-shared by any school of *fiqh*, and are not convincingly supported by the text of Quran and Sunnah or by juristic opinions in the past. Though the author does give his reasons for doing so, these views may not be acceptable as they seem to imply that *Zakah* base, its *nisab* and its rates are policy tools subject to the discretion of the public authority. This may erode the divine character of *Zakah* law and hence its general acceptability among Muslims as part of their religion rather than part of the law of the country. Editor.

26. For example, a teacher with an income of, say, SR. 3,000 (or $1,000) a month will have different needs (hence, a different standard of living) than an industrial worker who earns the same salary and has the same number of members in the family. While the teacher may be spending a sizeable amount of money on books, professional equipment and accessories, the industrial worker may have very little of such expenses. The latter may be able to save some money from his pay-check (subject to *Zakah*) while the former may not be able to meet all his reasonable needs from his income and, hence, will not be subject to *Zakah*. 
27. The analysis of this section is meant for a Muslim country where the state decided to assume the role of collection and distribution of Zakah.

28. This need not be in form of a check. Funds can be electronically transferred from the account of the institution paying Zakah to the account of the Zakah Fund. Banks should provide this service free of charge and the central bank of the country in return should provide some free services to the banks. In order that the system is just, all the banks of the country should be required to provide the services – one bank should do it in one area, while another bank in a different area, and so on.

29. It may be necessary to sell items of Zakah paid in kind, if appropriate recipients cannot be found to claim them.

30. For the purpose of illustration of the distributive effects one does not need to simulate any specific economy, especially since reliable data on income distribution are absent for the Muslim countries. It is true that data are available for Gross National Products (GNP) or Gross Domestic Products (GDP) by sectors but such data cannot be converted into income distribution by economic classes without resorting to various assumptions. This author checked national as well as international and United Nations’ sources without any success. Income distribution figures are some times derived from national income surveys and censuses. In most cases the governments of the Third World countries do it publish such data either because of extreme bias in the data or because of political repercussion. Individual researchers, at times, try to present such data (for example, see Mahfooz Ahmed’s study, Delhi School of Economics, Mimeo, not dated), but they are usually based on hypotheses and assumptions subject to serious criticism. In an earlier draft of this paper, this author presented simulations of two actual countries, with such hypothetical data. We agrees with the referees that it is better to use hypothetical economies for such an exercise.

31. An alternative way of estimating Zakah would be to separately figure out the zakatable income in each sector and assess Zakah on each according to the rates discussed earlier in the text. For such an analysis the researcher has to have access to more detailed data on the economy.

32. It should be clear in the minds of the readers that this study is not proposing the abolition of taxes in favour of Zakah. It is merely stating that Zakah must be imposed in every Muslim country and
that revenues for running the affairs of the country must continue to come from the various tax and other sources.

33 It is assumed here that the redistribution of income from the rich to the poor would not affect significantly the MPC or MPS of the rich because the Zakah payment as a percentage of zakatable income is quite small. At present, possibly such amounts of income are spent on frivolous things by the relatively rich.

34 Of course, due to usual bottlenecks in the economy such a multiplier effect may not fully take place. This is just an approximation. For this calculation it was assumed that the 10 percent of $50 million that were saved (1 – MPC) by the Zakah recipient was invested immediately by the business to augment production. The amount of actual investment may be higher or lower than such investments depending on the business expectations and the availability of other funds hitherto un-utilized by them.
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Some Administrative Aspects of the Collection and Distribution of Zakah and The Distributive Effects of the Introduction of Zakah into Modern Economies

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ABSTRACT

There is a need to reconsider the coverage of Zakah and the levels of wealth that oblige the owner to pay Zakah with a view to ensuring equity among Zakah payers. The author suggests an administrative setup for the collection and distribution of Zakah which is low cost, simple and allows a major role in Zakah administration to the local communities. Finally the author presents simulated results of the distributive effects of zakah for two economies – one very poor and the other relatively rich - extracting his data from published sources. This shows a way to planners and policy makers in the Muslim countries.
جوانب ادارية لجمع وتوزيع الزكاة والآثار التوزيعية

لتطبيق الزكاة في الاقتصادات المعاصرة

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أستاذ لكرسي "شارلز أ. دانا" للهلالية والاقتصاد،
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ملخص

تم اتخاذ نظرة جديدة إلى أموال الزكاة، وإلى مستويات الثروة التي تستوجب من المالكين إخراج زكاتها، مع تحقيق العدالة بين دافعي الزكاة، ويفترض المؤلف هيكلاً إدارياً لجمع الزكاة وتوزيعها، يمتاز بقلة تكلفته ويسر إجرااته، ويعطي دوراً كبيراً لإدارات الزكاة المحلية، وأخيراً يقدم المؤلف نتائج اختبارات محاكاة للآثار التوزيعية للزكاة في نوعين من الاقتصاد: اقتصاد فقي، جداً، واقتصاد غني نسبياً.

وقد استناد المؤلف بياناته من المصادر المشتركة، وقدم نتائجه لإدارة الطريق أمام المخططين وصانعي السياسات في البلدان الإسلامية.