

Press Release

## Unlike the Taxation in the IMF-Imposed PTI Budget, the Khilafah Will Raise Revenues for Islamic Obligations without Choking the Economy and Crushing the Needy

As has been the case for decades, the IMF is the key influence on Pakistan's budget despite the PTI government's claims of a home grown budget based on local needs. In reality, Dr. Abdul Hafeez Shaikh, Advisor to the Prime Minister on Finance and Revenue, and Dr. Reza Baqir, Governor of the State Bank of Pakistan, both signed a Letter of Intent on 8 April 2020, binding Pakistan to horrendous IMF conditions. As for the IMF policy of taxation, which forms the backbone of Pakistan's budget, it is to choke the local economy, whilst maximizing profits for Western capitalists who invest in Pakistan's economy and debt. In April 2020, the IMF released its "IMF Country Report No. 20/114," in which it praised the PTI government's "advancement of fiscal reforms to broaden the tax base through the elimination of concessions and exemptions." The IMF plan is to more than double the capitalist tax burden on Pakistan's struggling and underdeveloped economy. Whilst the IMF demanded taxation of just under 4,600 billion for 2019/2020, it demands constantly increasing taxation to over 10,000 billion by 2024/25.

The IMF imposes heavy taxation to ensure "demand contraction," which slows the local economy. Through "demand contraction," the IMF chokes local economic activity, reducing its consumption of foreign exchange, thereby aiming to support the exchange rate. Then, by imposing austerity measures for "fiscal discipline," cutting local subsidies and grants, the IMF reduces pressure on the exchange rate. IMF's insistence on supporting the exchange rate is to ensure protection of foreign creditors who make money through making interest based loans to developing economies like Pakistan. The IMF claims a higher tax to GDP ratio is needed for stabilizing the economy and allowing Pakistan to live within its means, but in reality, it manipulates Pakistan's economy for the sake of Western creditors and investors.

The Capitalist viewpoint on taxation is a result of the overbearing influence of a small, immensely rich elite on its ruling system. This is a consequence of its freedom of ownership that has led to the obscene concentration of wealth in a few hands. Wealthy business interests and individuals sponsor representatives in the legislative assemblies in a Democracy through campaign funds and other means, so that they can secure budget spending upon their interests. Using excuses, such as ensuring "resource distribution" or "resource allocation" or "promoting the private sector enterprise," the large capitalists ensure ever increasing heavy burdens of taxation on the masses, whilst they amass huge wealth for themselves through tax breaks, including receiving huge government sponsored bail-out packages during crises. As for the Muslim Lands, the colonialists tolerate the formation of a local capitalist elite to share in the spoils with them, so that they have a vested interest in perpetuating the devastating capitalist system for management of local economy.

The Islamic view of revenue generation is distinct from that of Western capitalism. Islam regards the sanctity of private property as inviolable, protected from the excess of other

individuals, as well as the state. Thus, nothing but the Shariah legal claims, based on evidence from the Quran and Sunnah, can be used as a basis for taxation.

The Bayt ul-Maal (State Treasury) in Islam has fixed sources of revenue which are obligatory upon Muslims. The fixed sources of revenue of the Bayt ul-Maal are Zakat, Kharaj, Ushr, Jizya and Fai. Zakat is collected upon livestock, crops and fruits, currency and all types of trading goods and merchandise. Zakat is obligatory upon Muslims if they have wealth over Nisab and a year passes upon it. Regarding agriculture, Kharaj is taken from the estimated agricultural yield of the one who owns the land, but not from the one who is employed to work on the land. Jizya is taken from the financially capable, adult, male, non-Muslim citizens of the Islamic State, whilst Fai is war booty which the state receives when the armed forces open new lands to Islam. In addition to these sources of revenue, the Islamic State supervises the revenues generated from public property like oil, gas, electricity and minerals, as Islam does not allow the state to privatize such resources by obliging the State to supervise the public properties directly. The state treasury receives revenue generated from communication services like postal services, telephone, internet services and satellite communications. The state treasury also receives revenues from public transport services, like buses, trains, ships and airlines. Revenues for spending on the people's affairs are also generated from factories associated with public properties, as well state-owned capital intensive industries, such as those manufacturing vehicles and high end electronics. The Islamic State also taxes goods entering its territories according to Shariah stipulated rules.

Even if the Bayt ul Maal is still not able to raise enough revenues to fulfill the obligations on the State, it is only allowed to raise taxation from the wealth of Muslims, which is in excess of their basic needs and luxuries, according to their standards of normal living. Nothing whatsoever is taken from those who have no surplus wealth, such as those in need or in overwhelming debt. Such taxation is however only allowed for six expenditures; all of which are obliged upon the Muslim community: 1. Jihad 2. Military industry and its allied industries 3. Spending on the poor, needy and wayfarers 4. Salaries of soldiers, civil servants, judges, teachers, doctors and the like who provide services for the benefit of the Ummah 5. Service and caring of the Ummah, whose absence causes harm, such as public roads, schools, universities, hospitals, mosques, water supplies and similar services. 6. Emergencies like famines, earthquakes, floods, disease outbreaks and enemy attacks.

**﴿وَمَنْ أَعْرَضَ عَن ذِكْرِي فَإِنَّ لَهُ مَعِيشَةً ضَنْكًا وَنَحْشُرُهُ يَوْمَ الْقِيَامَةِ أَعْمَى﴾** **“And whoever turns away from My remembrance - indeed, he will have a miserable life. We shall raise him blind on the Day of Resurrection.”** [Surah Ta-Ha 20: 124] Our miserable economic situation is because the PTI government has ignored Islam's guidance, surrendering our economic sovereignty to the IMF. It imposes oppressive taxation that completely disregards financial capability of individuals and chokes our economy. It spends upon that which Allah (swt) has forbidden and drowns us further in debt. Indeed we will neither break the beggar's bowl nor find relief in our hardship, unless we implement Islam. After the crushing disappointment of the PTI, surely it is time that we all worked with Hizb ut Tahrir for the re-establishment of the Khilafah (Caliphate) on the Method of the Prophethood.

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