THE REPUBLIC OF TURKEY
SOCIAL SCIENCES UNIVERSITY OF ANKARA
INSTITUTE OF ISLAMIC STUDIES

Islamic Economics and Finance Department

CONVENTIONAL TAXATION VS ISLAMIC TAXATION: AL-ZAKAH SYSTEM'S POSSIBLE IMPLEMENTATION CHALLENGES IN TURKEY

Salma Abdellatef

Master's Thesis

Thesis Supervisor
Doç. Dr. Zeynep Burcu Uğur

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ACCEPTANCE AND APPROVAL PAGE

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ABSTRACT

Taxation is an inseparable part of any modern economy that aims at attaining prosperity, welfare, and income and wealth redistribution in the conventional mindset. Following the theory of taxation in Islam, Al-Zakah represents a superior unique tool that holds the ability to carry out the same objective of conventional taxation and amend the missing equity that taxes alone cannot fulfill, with a moral and a spiritual dimension. The fact that the UNCHR established an official refugee zakah fund that can cover almost all of its humanitarian budget, ensures the potential economic power of Al-Zakah.

The thesis critically compares the main features of conventional and Islamic taxation. Next, it exhibits an "Input-Output" zakah model that differentiates Al-Zakah from taxes in terms of origin and concept, enforcement, and objectives, even if they share some similarities. The thesis also contributes to current literature with empirical evidence concerning the possible implementation challenges of Al-Zakah in Turkey. After analyzing the answers of 142 Turkish citizens, the results reveal that the lack of religious awareness and secular vs. Islamic law enforcement are primary reasons for the current participants' non-payment of zakah. Moreover, the study identifies the lack of trust in private institutions that collect and distribute Al-Zakah in Turkey as a possible reason why zakah collection in Turkey is below its potential. The results also identify institutions that participants are willing to trust to collect and distribute their zakah payments. Finally, the thesis makes some recommendations to policymakers regarding zakah payment in Turkey.

Keywords: Zakah, Taxation, Islamic, Conventional, Implementation, Challenges.

ÖZET

Vergilendirme, konvansiyonel anlayışta refah ve gelir ve servetin yeniden dağılımını elde etmeyi amaçlayan herhangi bir modern ekonominin ayrılmaz bir parçasıdır. İslam'daki vergi teorisinde, zekât, geleneksel vergilendirmenin aynı amacını gerçekleştirme ve vergilerin yerine getiremeyeceği eksik adaleti, ahlaki ve manevi bir boyutla, düzeltmeye sahip benzersiz bir aracıdır. UNCHR'nın insani yardım bütçesinin neredeyse tamamını karşılayabilecek resmi bir mülteci zekât fonu oluşturması, zekâtın potansiyel ekonomik gücünü göstermektedir.

Tez, geleneksel ve İslami vergilendirmenin temel özelliklerini eleştirel bir şekilde karşılaştırmaktadır. Bazı benzerlikler paylaşsalar, çalışmada da zekâtın kavramı, yaptırımı ve amaçları bakımından vergilerden ayıran bir “Girdi-Çıktı” zekât modeli sergilenmektedir. Aynı zamanda tez, zekât'ın Türkiye'deki olası uygulama zorluklarına ilişkin ampirik kanıtlarla mevcut literatüre katkıda bulunmaktadır. 142 Türk vatandaşının cevaplarını analiz ettikten sonra, sonuçlar, mevcut katılımcıların zekât ödememeye yönelik davranışlarının başlıca sebeplerinin dini farkındalık ve kanun uygulama eksikliği olduğunu ortaya koymaktadır. Ayrıca, çalışma Türkiye'de Zekât toplayan ve dağıtan özel kurumlara duyulan güven eksikliğini, zekât fonlarının yanlış tahsis edilmesi ihtimaline işaret ederek, Türkiye'de zekât tahsilatının potansiyelinin altında olmasının olası bir nedeni olarak tanımlamaktadır. Sonuçlar, katılımcıların zekât ödemelerini toplamak ve dağıtmak için güvenmeye istekli oldukları kurumları da belirler. Son olarak, tez, zekât ödemesini Türkiye'de daha iyi bir konuma getirerek, politika yapıcılara bu sorunları ele almada yardımcı olabilecek tavsiyeler sunmaktadır.

Anahtar Kelimeler: Zekât, Vergilendirme, İslami, Konvansiyonel, Uygulama, Zorluklar.

LIST OF ABBREVIATIONS

AD	Anno Domini – In the year of the Lord
B.C.	Before Christ
GDP	Gross Domestic Product
GDZO	General Directorates of Zakah Obligations
IBFD	International Bureau of Fiscal Documentation
IHH	İnsan Hak ve Hürriyetleri ve İnsani Yardım Vakfı
	The Foundation for Human Rights and Freedoms and Humanitarian Relief
IsDB	Islamic Development Bank
MMC	Muslim Majority Country
OECD	The Organization for Economic Co-operation and Development.
OIC	Organization of Islamic Cooperation
PBUH	Peace be upon him
SWT	Subhanahu wa taa'la / Glory to God
SSS	Social Security System
Stata	Statistical Software Package
UN	United Nations
UNCHR	United Nations High Commissioner for Refugees
USD	United States Dollars
WB	World Bank
AAOFI	The Accounting and Auditing Organization of Islamic Financial Institutions
MASB	Malaysian Accounting Standards Board.
SOCPA	Saudi Organization for Chartered and Professional Accountants.

UNRWA The United Nations Relief and Works Agency for Palestine Refugees in the Near East.

BAZNAS the National Board of Zakat for the Republic of Indonesia.

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INTRODUCTION

Taxation can be traced back to the advent of civilizations or it can be argued that taxation is actually the price of civilization. Throughout history, it has witnessed several alterations with regard to its policies, types, and objectives. With the rising of modern economies after the initiation of the industrial revolution in Europe, taxation was put under the scope of governments as the main resource of public revenues of the state. Since then, economic schools of thought discussed taxation with an aim of identifying its role in the economy to boost the economy's potential.

With the advent of Islam, the initial establishment of the Islamic state in Al-Madinah experienced the existence of taxation like other civilizations. However, in the second year of Al-Hijrah, Muslims were required to start to pay the obligatory alms, "Al-Zakah", to purify and bless them. Not only that, but also Al-Zakah was a cornerstone in the underlined overall economic foundation of the Islamic state, to inherently ascertain the Islamic setup of social and economic equality, justice and wealth redistribution on the material side, and social solidarity and fraternity on the other side.

The difference between the taxes and Al-Zakah has been discussed in several studies. Al-Zakah and taxes are different, yet similar two concepts based on their main purpose which is embodied in being deductions from individuals or entities' assets to be directed to social purposes aiming at attaining higher overall social welfare. The significance of the comparative elaborations between Al-Zakah and taxes sources from identifying their nature in a Muslim society. First, in most Muslim countries, constitutions are not built on the Shari'ah law, but on civil law. Even if Shari'ah law is applied, that would include personal affairs. Thus, besides facing the imposition of taxes that is empowered by civil law, Muslims have to pay Al-Zakah, as a part of their religious duty as stated by Shari'ah law, even if it is not the base of legislation in the Muslim country. A situation that causes confusion to taxpayers, who can simultaneously be zakah payers where they might think that solely one is more significant than the other. As well, it might drive them to choose only the "more enforced" to pay, which mostly is taxes. That is because Al-Zakah in almost the majority of Muslim countries depends on the self-assessment of zakah payers in calculating their obligatory zakah payments and then paying them to specialized zakah institutions or according to their personal convictions. Consequently, Al-Zakah in the present time and in many Muslim countries hold the sense of being voluntary alms, not an obligatory one. Second, that leads to missing out on the high potential benefits of integrating Al-Zakah into economic systems and falling short to fulfill an obligatory act of worship that Muslims has to fulfill by identifying it also as the right of the society's financially less privileged in the wealth of the most privileged.

Taxes and Al-Zakah have been treated in some previous studies by the eye of comparison, focusing on the challenges related to the payment and implementation of Al-Zakah in Muslim countries. According to Barizah et al., (2007), Al-Zakah and taxation are extremely different in terms of their objectives and implementation consequences. The study emphasized the role of Al-Zakah as an important tool for the modern state's fiscal policy. Moreover, the paper debates the shortcomings in the application of Al-Zakah system in Muslim countries with a brief example of the Malaysian case. The authors discussed zakah and tax laws in Malaysia where Al-Zakah is institutionalized by the state, referring to the wide lag between Al-Zakah as an obligatory religious tax and its systematic enforcement. It asserted the importance and necessity of having effectively enhanced educational and political systems which can aid in maintaining a sustainable and successful zakah system. Additionally, the authors recommended the execution of further empirical studies concerning the evaluation of people's awareness of Al-Zakah as an obligation and factors that further obstruct the official implementation of Al-Zakah as a system.

Saad & Al Foori (2020) aimed at understanding Muslims' perception of Al-Zakah in Malaysia. Their empirical evidence depended on survey results from 50 students who are familiar with Islamic law and the Malaysian zakah and tax systems. The study revealed that the majority of participants think that Al-Zakah payments should be regulated under the federal or the state constitution. Coming to specifying the reasons for not paying Al-Zakah, 65% of respondents stated that the reason is the lack of awareness of Al-Zakah's importance, 35% considered it a voluntary act, and 25% counted the lack of regulation as the reason for non-payment behavior.

AlMatar (2015) argued that, in the modern sense, Al-Zakah has been proved to have significant limitations such as marginalizing non-Muslims, restricted beneficiaries, the small relative payments of those who are at the higher end of the wealth chain, and allowing zakah payers to choose to whom zakah is given mostly on a decentralized voluntary basis. Giving an example for Kuwait, the paper stated that there is a high degree of non-compliance to Al-Zakah. As well, donors choose who they think are in need from their relatives and acquaintances as zakah receivers rather than the most deserved. Besides, the author shed the light on the lack of Ijtihad (religious intellectual reasoning) and innovation when it comes to broadening Al-Zakah beneficiaries' base. Accordingly, the paper concluded that the current form of Al-Zakah system cannot be the only welfare system source to finance public expenditures. In addition, the author argued that a taxation system that is based on grounds of fairness might be an effective tool to assist Al-Zakah system. However, attaining such a system is not an easy process, that if not properly applied, it can compromise social justice ends.

Pahala (2016) finds that people in Indonesia refrain from paying Al-Zakah since they have been already charged with an income tax as a zakah replacement by the government. Additionally, citizens think that the government prefers taxes over Al-Zakah since the government has a steady information base about taxes than Al-Zakah. The paper emphasized that Al-Zakah is more important than taxes due to its promotion of the community's coherence, equality, and togetherness of obligation. Besides, Al-Zakah is distinguished for its religious legal base, which involves spiritual and material virtues, and its facilitation of payment relative to taxes.

All the previously mentioned studies discuss the difference between taxes and Al-Zakah, and /or the reasons why zakah potentials are still out of reach, and also the main issues related to the current implementation of Al-Zakah in Muslim countries in form of country studies. However, there is a need to have a deeper understanding of Islamic taxation's components and objectives to be able to place both taxes and Al-Zakah in such a system properly. The thesis will place both, taxes and Al-Zakah, showing Al-Zakah as a mechanism in a different manner, pointing at it as an essential component of Islamic taxation.

Leading from that need, the thesis has three main objectives. The first is to comparatively review the main features of both, conventional taxation and Islamic taxation concerning their definitions, objectives, and implementation. The first chapter reviews the conventional economic thinking and Islamic economics studies literature on taxation. The second objective is to discuss the differences between Al-Zakah and a tax in terms of their origin and concept, enforcement, and effects. That is conducted by exhibiting the distinguished features of Al-Zakah in a theoretical Input-Output Model compared to taxes. As chapter two corresponds to this goal, the socio-economic and spiritual value of Al-Zakah as a component of an Islamic economy is analyzed.

Lastly, the third objective is to explore and briefly describe the current institutional formation of Al-Zakah in Muslim countries. That is followed by focusing in more detail on the primary implementation challenges of Al-Zakah systems in Muslim countries. Taking Turkey as the main case study of a country with a Muslim majority where Al-Zakah is paid on a voluntary basis, the thesis endeavors to analyze which issues apply in the Turkish case. For this purpose, the thesis includes the results of a survey with 142 Turkish citizens and concludes with recommendations to enhance zakah collection and payment in Turkey.

METHODOLOGY

Following the initiative to consolidate the importance of identifying Al-Zakah as a part of the revenue base for collecting funds from the public in Muslim countries, the thesis will first follow the comparative analysis approach to compare conventional and Islamic taxation theories based on the available survey of the literature of classical and modern studies by conventional and Islamic economists. Next, using the general framework of conventional and Islamic taxation literature readings, the thesis attempts to distinguish between a tax and Al-Zakah, in terms of its origin, objectives, and effectiveness, theoretically and practically, especially with regard to the role of Zakah in income and wealth redistribution.

Lastly, the paper shows the empirical results of the pre-mentioned conducted survey in Turkey about Al-Zakah and its payment mechanism. After developing a hypothesis regarding the views of Turkish citizens based on similar studies in other countries, the empirical study utilizes the descriptive statistical analysis to analyze participants' own (willing or reluctant) behavior and perceptions towards Al-Zakah.

THESIS’S IMPORTANCE

The thesis presents a comprehensive look at the literature on the development of conventional taxation in comparison to Al-Zakah. Also, the thesis conceptualizes Al-Zakah in a model through which the benefits of Al-Zakah's inclusion in an economy are discussed in-depth.

Where other studies such as Barizah et al. (2007); Bin-Nashwan et al. (2020); Farouk et al. (2017); Obaidullah (2016); Sari et al. (2013) focus only on the present obstacles of zakah institutions or collection in one country at a time, this thesis involves all possible legal, managerial, and behavioral issues related to zakah implementation in Muslim countries. Moreover, studies regarding zakah implementation in Turkey such as Sayın (2021); Gümüş (2019); Karaboğa (2021); Selçuk (2016); mostly include discussions on the importance of institutionalizing Al-Zakah in Turkey, with limited zakah literature that focus on the behavior of zakah payers themselves who are the main actors in a zakah payment system. Thus, the thesis presents some information about Turkish citizens' recognition of Al-Zakah as an obligation, regularity of payment, and the reasons that affect their payment. Further, the thesis shows also the Turkish individuals’ views towards current private institutions volunteering for Al-Zakah collection and distribution in terms of their trust and willingness to pay their zakah through them.

The results of the study can enlighten policymakers on the behavior of zakah payers in general if Al-Zakah was institutionalized by the state. Discussion of the underlying factors of implementation challenges in other countries and the empirical results from the thesis together will aid in drawing the zakah enforcement for Turkey.

CHAPTER ONE: LITERATURE REVIEW

This chapter includes a survey of both the conventional and the Islamic taxation literature, shedding the light on the concept of taxes, the general framework of its imposition, principles, and mechanisms. The chapter covers the view of taxation from a historical aspect, followed by a considerable look into the conventional economic interpretation of taxation policies in the classical, neo-classical, and modern schools of economic thought. Lastly, Islamic taxation is handled in the ending section, focusing on its modern application from the view of Muslim scholars and Islamic economists.

1.1 CONVENTIONAL TAXATION: HISTORY, THEORY, AND PRACTICE

Commencing from the linguistic meaning of taxes, the oxford dictionary of economics defines a tax as "a payment compulsorily collected from individuals or firms by a government (central, state, or local) or by the functional equivalent of a government", where existing modern taxation systems must be based on identified objectives to be set by tax authorities (Hashimzade et al., 2017). As well, according to James (2012), taxes are compulsory levies that are made by the public authorities without a direct specification of what to be received in return for their payment. Additionally, James emphasized the historical fact that taxation policies are a boosting force to development and a possible reason to initiate a war over resources. Lastly, the author shed the light on another point that taxes can end up swallowing up to 50% of a country's national income, affecting almost all components of the monetary economy.

The Organization for Economic Co-operation and Development (OECD) delineated the "Taxes" term as obligatory "unrequited" payments to the public authority or the government, where any benefits the latter introduces to the public don't necessarily have to be proportional to their tax payments. In view of that, taxes don't include any penalties, charges, or loans that are also compulsory and paid to the government (OECD, 2020). Furthermore, the IBFD International Tax Glossary denoted the lack of a sole definition for a tax, however, it defined a tax as a levy that is imposed by the government for no explicit benefit, without being considered as a penalty. It has been also discussed that although, as OECD stated, taxes are “unrequited” payments, there is a connection between tax payments and benefits, which should make taxes requited naturally since they are compulsory payments. This argument has been supported by the fact that usually a tax’s main amount paid depends on the cost of a service provision, giving an example of social security contributions. Accordingly, the naming of any levy relies on the link between that levy and the benefit, and also the levy would be affected by political or theoretical considerations (IBFD, 2009).

The main traditional purpose of taxation in a country is to finance the governing function of a government, which includes stabilizing its economy, providing public services, defense, regulation, subsidies, and others. Considerably, in most countries, taxes are the most sizable source of government revenues. For this reason, the existence of a government and a public sector is linked directly to the imposition of taxes, as the existence of one leads to the other, and the legitimacy of one affirms the legitimacy of the other. Thus, as Lymer & Hasseldine (2002) stated, taxation decisions don’t only follow the fiscal policies of a country but also are partially politically influenced. There can be other purposes for taxes that are not related to supporting a country’s revenues, such as being utilized as a fiscal tool of income redistribution, and currently, taxes are one of the most utilized policies that target income and wealth inequality in western economies. James E. Alt confirms that taxes will constantly involve distributive and redistributive effects, and generally tax reforms emphasize their effects on income and wealth redistribution (Alt, 1983). Further, taxes, alone or with legislative government intervention, are acting also as a redresser of the deficiency of competitive markets represented in market failures. Externalities (e.g., taxing factories with harmful gas), paternalism of the state (e.g., taxing tobacco), resources protection, and constraining monopolies, all can be remedied by tax-subsidy policies.

Taxes are classified variously according to their sort. The most well-known classification is where taxes vary between proportional based on a flat rate for all taxpayers, and progressive where some taxpayers pay more than others depending on their incomes, wealth, and consumption, and the last can be with a regressive effect on lower-income households. In this context, these taxes can be either direct or indirect. These structures have been rapidly evolving in recent years where it might have been thought that such systems are purely recent. However, taxes can be traced back to ancient kingdoms and empires throughout history, where their patterns were rooted and continued to develop over time, transfer from one country to another through different means such as the establishment of a new empire, colonization, and wars. That is embodied in Adam Smith's statement: “There is no art which one government sooner learns of another than that of draining money from the pockets of people.” (Smith, 1950, 669).

Taxation is proved to have started in ancient Egypt between (3300 – 3200) B.C. and onwards to other empires such as the Mesopotamian, the Chinese empire, Greece, the Incan empire, the Roman empire, and India. Some of these empires represented theocratic states, where religion, represented by the ruler himself who was seen as a God, and governments were intercrossed. Besides, citizens were seen as owned by the head of the state or the ruler. Therefore, for these empires, taxes were both, a religious obligation towards the ruler and a contribution to the government. These taxes, considering that some of them were relatively recent than the others, could be in form of diversified payments as real estate, inheritance, property, consumption-based, and income taxes, and sometimes executing services or supplying commodities by people to the government (Blankson, 2007; Samson, 2002). Observably those tax systems developed from one time to another all over the world, to the extent where taxation was considered a manifestation of civilized societies.

Additionally, it is worth mentioning that religious deductions are as old as Judaism and Christianity, where “tithing” is an example of ancient religious payments to the Jewish or the Christian temple. As stated in the old and New Testament, a “Tithe”, is one to ten (10%) of one's resources to be directed to the temple, church, clergy, then to those in need as a form of being thankful to almighty God for the one's provision that already belongs to himself, appearing in the form of an income tax but with a spiritual aspect. According to the biblical scriptures, it is an act of worship and obedience to God based on the “show me now” biblical principle as proof of one's faith. It includes spiritual values and a promised reward from God to those who perform it (Anderson, 1957). Tithing was prevailing broadly as Christianity spread, especially in Europe, until it was made obligatory in the 8th century by law during the Middle Ages. Afterward, it has faced waves of criticism from some monks and scholars who have not consented to the imposition of tithing, referring to the possible abuses related to its collection, or claiming it to be voluntary rather than obligatory. Anti-tithing opposing opinions remained advocated considerably until its elimination by the English law in 1936 while remaining a matter of debate in the USA (Croteau, 2005). In the present time, church taxes can represent a rapprochement from tithes as one main resource of supporting churches. It is usually imposed upon the members of a specific church or paid by the government to those churches as collected from individuals or companies. That is prevailing in some European countries such as Germany, Denmark, Sweden, Switzerland, and others (De Mortanges, 2015; Luttmer & Singhal, 2014; Sandberg & Doe, 2007; Stark, Rodney; Iannaccone, 1994). Distinctly, tithes, as a concept are similar to Al-Zakah in Islam, which shall be discussed more adequately in coming sections.

It could be also referred to as the medieval era, starting when Romans introduced taxes to the British Isles, passed by Saxon kings and Aristocrats who were exempted from some taxes. This period witnessed the appearance of progressive tax and some of the initial forms of income taxes during the fourteenth century in England, where people pay proportionally according to their status being poor or rich and has continued to develop since then (Blankson, 2007). Further, it was the British who introduced income taxation in its modern progressive gown in the early nineteenth century during the Napoleon wars period. Although several discussions by some of the well-known classical economists at that time including Adam Smith opposed such a system, it was applied (Sabine, 2005).

1.1.1 Classical Taxation

The classical economic establishments of taxation were mainly based on the contributions of Adam Smith, David Ricardo, John Stuart Mill, Karl Marx, and other classical economists since the beginning of the industrial revolution in Britain, which soon extended to Europe, and onwards.

Taxation for classical economists aimed at financing government expenditure in consistency with the laissez-faire classical tradition. It was based on the “benefit-ability” approach. Although benefit-based taxation's formal theoretical basis is credited to Lindahl in 1919 upon which he built his model and equilibrium, as will be reviewed it has been adopted way before since Adam Smith. According to that approach, people should pay taxes depending on the benefit they get from the consumption of public goods, and on their ability to pay them. Meanwhile, the classical school assumed the homogeneity of income distribution as a cornerstone of their theory. Also, it treated individuals’ ability to pay according to the state activities that they take part in. Thus, it can be said that taxes are the price of the public goods that people consume mutually, relative to how they are valued by them (Matthew Weinzierl, 2014). For classical economists, wealth accumulation was one main means to attain prosperity and social welfare, and they have given attention to the distribution of available resources among individuals. Thus, a taxation policy is counted better when it maximizes society's wealth. Another common attribute of classicists is their assumptions. The classical models have been operating under two important assumptions, they are perfect information and having a fixed number of taxation tools which also have been criticized later by subsequent schools starting from neoclassicism.

Adam Smith explained taxation in the light of the theory of the distribution of wealth and his views are reflected in his well-known four maxims of proper tax imposition. In his revolutionary book "An Inquiry into the Nature and Causes of the Wealth of Nations", the first maxim signifies "**equity"**, where taxes imposed have to be in proportion to people's respective abilities that are their incomes or revenues that they earn and enjoy since people differ respectively in their interests in the state. Otherwise, inequality of taxation shall be constituted. The second maxim is "**certainty**", meaning that individuals' tax payments need to be determined precisely and not haphazardly, in terms of their time, amount, payment method, and collection to the payer of the tax and the public. For him, uncertainty is an evil that favors the insolence and corruption of tax collectors. The Third Maxim is "**convenience**", where taxes have to be imposed at a suitable time and manner for the taxpayer that is most proper for him to pay (Smith, 1950, 639-641).

Lastly, the fourth maxim is "**balance** and **consistency**", requiring taxes levied to be designed carefully to attain the desired funds essential to maintain the state's expenditure. That, by taking into consideration factors that might lead to reducing tax proceeds than the level desired which can stem from extravagant or unplanned tax policies. These factors are exemplified in four cases. The first is high tax collection expenses due to increasing salaries of tax employees. The second is extravagant taxes discourage people from perusing specific divisions of business causing an increase in unemployment. Thirdly, over-penalizing leads to the temptation of tax evasion leading to even more penalties that eventually drive them away from carrying out their businesses, thus terminating their employed capital that the economy would have benefitted from. Lastly, over-screening by excessive visits and examinations exposes taxpayers to feeling oppressed and bothered. All together eventually contribute to making taxes a burden to people more than being beneficial to the state. According to Smith, the experiences of many countries related to tax imposition while considering his four maxims, despite their attempts, it hasn't always been successful (Smith, 1950, 639-641).

David Ricardo's work was more theoretical as he focused on the effects of taxes on wages, rent, and profit. He clarified that people's ability to pay taxes depends on the money value of one's income contrasted with the money value of the commodities he buys frequently. Also, he emphasized that levying additional taxes requires an increase in production or a decrease in people's consumption. Otherwise, the tax increase would fall on capital, obstructing the allocation of funds to investments, and causing a fall in production. Still, he denoted that the capital accumulated could be more if taxes weren't imposed, since taxes will always reduce such an accumulation. Thus, he signifies the negative collective impacts of taxation as a great evil that affects both capital accumulation power and production (Ricardo, 1821, 164-166).

Jean-Baptiste Say argued that taxation is transferring a national product's quota from the hands of people to the government in order to finance its public expenditures. He stated that taxation is a fact, rather than a right where its existence power derives from the value it engrosses, which is the value of the commodities that taxpayers give to the state. He confirms that the value of tax won't be existent in society again once consumed by the government due to its reformation into something to be received for an equal in return. Unlike some classicalists, he saw that taxation can never be a tool for re-production nor a contributor to national wealth, and propagating so is a fallacy and absurd. Although taxation might lead to a limited stimulus for production if it was applied properly, its imposition itself will always be a loss. Apart from that, Say determined five main characteristics for the least harmful or the best taxes to be imposed. First, moderate ratios of taxes must be levied, as over-taxing is an act of suicide, and as previously mentioned, it led to depriving a consumer of a part of its consumption or saving, which will surely lead to shrinking demand, thus supply and finally tax proceeds. Second, taxpayer harassments, high tax collection costs, and precautionary measures need to be designed in an acceptable manner otherwise they are considered costly, and these costs will fall eventually on the impoverished taxpayers (Say, 1821).

Third, taxes have to be fairly imposed on all classes, without arbitrary exemptions, so that their burden is equitably distributed to all. That can only be attained by progressive income tax policies otherwise it can't be equitable. For instance, proportional tax policies can't be equitable even when Adam Smith called it "reasonable". Forth, taxes need to be less harmful to reproduction and the accumulation of productive capital. Heavy taxes, patents, and complex requirements obstruct businesses from initiating their activities. As well, taxing the reproductive consumption of raw materials itself affects reproduction. For Say, imposing taxes as one of the evil choices can be mitigated if tax proceeds are mostly from unproductive consumption, or when tax proceeds are invested by the state in a productive way as in improving the infrastructure of health, utilities, communications, and others. Lastly, taxation has to be used as an instrument to enhance societal morality. Taxing precise performances efficiently, as a punishment, would support the promotion of morals or can lead to the discouragement of some acts. For example, taxing late rents when repaid is a penalty and efficiently stimulates duty repayment. To sum up, these principles must be always checked with the society's prosperity when applied (Say, 1821).

The founder of utilitarianism and the principle of loss and utility, Jeremy Bentham, interpreted his taxation doctrine upon the accumulation and the growth of wealth in the present and future times. According to him, for the reasons of covering expenditures or paying debts, taxes are levied. He stated that taxes represent a "proportionable sacrifices" of present enjoyment and comfort of people (takes from present wealth), for funding security, in terms of defense and minimum subsistence of all. However, the way these tax proceeds are deployed would re-add to the growing wealth of the nation in another way. Further, Bentham asserted the negative effect of taxes that leads to the discouragement of some types of businesses, while untaxed competitive activities would be encouraged, clarifying that taxing beyond the level of supporting necessities contributes to wealth reduction. As well, Bentham advocated indirect taxes since the annoyance of collection and the direct pleasing of the imposer elements are absent (Bentham, 1843).

John Stuart Mill's approach was similar to Bentham's as one of the earliest utilitarian economists. Firstly, he confirmed the importance of Smith's maxims' embodiment of a quality taxation policy. Moreover, he shed the light on the significance of the equality principle in taxes impositions, symbolized in the principle of "equality of sacrifice" for all members or classes of the society. For this reason, he suggested a proportional income tax scheme based on people's sacrifice of a part of their enjoyments in an equal manner. That includes untaxing the sufficient portion of income needed to acquire life necessities and introducing a poverty support program with a well-set scheme of work incentives. For him, taxes, even if not accompanied by a fall in capital accumulation, definitely lower the available funds for indulging one's ease or wants. He criticized over-taxation, describing it as a demolisher of any industrious economy, moreover, depending solely on it as a revenue source opens the door to tax evasion (Mill, 1890, 394-417, 558-562).

Some recent Marxist advocates elaborated that Marxism didn't include significant notions about taxation, for instance, David Harvey mentioned that taxation remains an empty box in Marx's theory (Harvey, 2018). However, Karl Marks and his colleague Friedrich Engels highlighted their thoughts about taxes as an aspect of their economic thoughts. Marx stated that taxes represent a burden on the poor and a driver of political change to the extent that implicitly, Marx and Engels approved tax evasion on the personal and corporate levels. They were concerned with the effects of taxes on income and wealth inequality. They referred to the impossibility of having income equality under capitalism, but it is possible to have a reduction of tax inequality. In addition, they criticized the dominating indirect taxation policies that come eventually on the workers and the poor, serving the accumulation of the bourgeois' wealth. Thus, they promoted the establishment of direct progressive taxation policies for both, wealth and income, under which private ownership would be minimized and turned into a social property as communism indorses. As proposed by Engels, free general education for minors and a "poor relief" would contribute to bringing communism to real life, and these two measures would be funded by progressive taxes on capital that increase relative to its size (Marx, Karl; Engels, 2010a,2010b, 2010c, 2010d, 2010e).

Briefly, it can be concluded that classical economists were generally against taxation, where some of them expressed their thoughts more specifically towards progressive and proportional tax policies. In the case of tax imposition, most of them favored reasonable indirect taxation despite having some distorting impacts. They pointed to the role that taxes play in obstructing production and investments which consequently would negatively affect economic growth. Only in emergency times, that lesser second evil choice becomes convenient, and it has to be accompanied by a quick shift to other sources of public income resources when feasible. Moreover, when taxes are imposed, clarity, equity, lower collection costs, and taxpayer abuses consideration must be prudently contemplated to avoid any resulting issues. Further, Marxism rising is considered one of the overall preliminary rearrangements of social and economic change in Europe that introduced the world to the values of neoclassicism.

1.1.2 Neoclassical Taxation

With the advent of the neoclassical economic school of thought in the late nineteenth and the twentieth century, classical taxation theories have been reconsidered by economists who followed diversified approaches compared to their classical fellows. It can be observed that this period witnessed the birth of many schools after Marxism as socialism, Marshall's school, Keynesian school, welfare economics, and others. The main attribute of the neoclassical school is focusing on human behavior and its effects on all economic parameters under the assumption of marginality, unlike the classical focus on the market mechanism. The price mechanism, maximization of utility, and rationality, all under perfect information, were the main characteristics of the neoclassical economy. As well, rising views around the importance of wealth distribution and using taxation to attain it took a significant place in the writings of neoclassical economists. For them, tax policies that maximize the total summation of all utilities of individuals are the best.

Additionally, with the advent of Keynesian thoughts, fiscal policy was seen as a promoter of economic growth by affecting the supply side and observing price stability. It focused on the reduction of marginal tax rates with limited public spending, reducing the production costs for the private sector which would induce higher rates of labor and capital employment, thus increasing the real output. Their main aim was to discourage capital non-productive formation by discouraging saving to induce economic growth (Ture, 1980). This period includes the main contributions of economists such as Edgeworth, Marshall, Pareto, Keynes, Samuelson, Schumpeter, and others. Subsequently, their views on taxation will be reviewed.

Although F. Y. Edgeworth's writings, as one of the earliest utilitarianists, started to evolve near the end of the 19^{th} century, it has a great impact on the development of the economic neo-classical school of thought. In his pure theory of taxation (1897), he states that taxation includes two important factors, and they are the principle of equal sacrifices and the laws of tax incidence. Unlike the classical approach, he introduced the "Edgeworth box", and interpreted the possibility of having a fall in the prices of some commodities when they are taxed, and under some circumstances, it can be beneficial to the producer too. In addition, he attempted to introduce modifications to the classical view of tax incidence, as he focused on the monopoly market more than perfect competition as closer to reality. He focused on the effects of the distribution of the tax burden upon its payers and that their sacrifices must be considered when designing the fiscal policy of an economy to assure equality of incomes and fortunes. For Edgeworth, the principle of "equal sacrifice" is the main determinant of a good taxation policy. In other words, people's sacrificed satisfaction relative to the income loss from the imposition of a tax should be equal to the sacrifices of all contributors. He confirmed that a minimum level of income for a substance needs to remain untaxed. Lastly, he pointed out the importance of the gradual increase of tax imposition, in capital and income taxes specifically, to deem that the taxpayer wouldn't be discouraged to improve his income and to adopt a progressive taxation system where tax rates increase when income increases (Edgeworth, 1925).

Alfred Marshall, one of the prominent establishers of the neoclassical school in the nineteenth century, indicated the importance of taxation for collecting required funds for governmental purposes. Being a part of the community, individuals present taxes as "duties" to the government (powerful agencies) as their contributions for it to pursue its functions, which aims eventually at fostering economic progress and increasing its material wealth. Moreover, he emphasized the role of taxes as a tool for just wealth distribution. For Marshall, taxes should be based on the principles of equity and equality, and these principles are not only valid for taxes' acquirement, but also for their deployment. In other words, a beneficial tax is determined based on the equality of sacrifice, thus, it leads to an equitable distribution of the tax burden and achieves the efficiency of its usage to enhance progress components and people's overall wellbeing. Finally, he pointed out the importance of accompanying that with the economics of collection by taking as little as possible from people, and managing lowers costs of collection (Caldari & Nishizawa, 2020).

Carl Menger, the founder of the Austrian school of economics, criticized Adam Smith's notion of taxation being based on benefits that individuals enjoy in a state, clarifying that many of them don't possess the ability to pay such taxes. Moreover, he promoted the progressivity of tax systems, since the marginal utility of lost money for the rich is noticeably less than it is for the poor. Also, he elaborated on the importance of enhancing workers' status and achieving successful income distribution through the productive use of capital accumulated to make everyone's share bigger (Hagemann et al., 2010).

The 1897's "Pareto optimality" concept represented a revolutionary concept that has been referred to by almost the majority of old and recent taxation studies. Since Edgeworth's contributions, Pareto's addition is considered the seed for the growing theories of welfare economics and the base for the quest for an "optimal taxation" policy or structure by welfare economists. Pareto introduced his market equilibrium framework where resources are perfectly allocated, price-taking consumers are maximizing their "ophelimity"[1] and producers are maximizing their profits, only in a competitive market. Once the "Pareto optimality" as an equilibrium or the "maximum ophelimity" is achieved, no change can occur that would increase the utility of a group of persons without making others worse-off (Pareto, 2014). Pareto's work's inclusion of public finance aspects was fringe. He kept a distance from public finance for several reasons, to the extent that he advised his student "Sensini" to consider public finances a matter of non-logical action (McLure, 2006).

Consequently, Pareto's efficiency has been criticized for the non-inclusion of market failures, where consumers are not always price takers as in monopoly markets. More importantly, the fact that a Pareto efficiency doesn't guarantee distributional fairness or equality was also criticized. Many following studies shed the light on taxation or a definition of property rights as needed to enhance the optimality situation. The main criticism was led by Pigou (1920), for both Pareto's negligence of externalities and his income distribution theorems. Pigou indorsed the imposition of taxes or granting subsidies to solve the externalities problem in the market. In specific, he emphasized the usage of indirect taxes on the externality-related product to reflect the social costs of its consumption that third parties have to bear, making it feasible for them to internalize those externalities (Geanakoplos & Polemarchakis, 2008). Briefly, criticism directed to Pareto optimality was seen to be amended, first, by tax policies, as taxes would be Pareto

[1] The Paretian expression for utility or satisfaction.

efficient if it comes with benefits without making any other economic agent worse off. That is the reason for which taxes would exist in the economy with a Paretian equilibrium, is to fix market failure or to attain distributional fairness. Second, by well-defined property rules to avoid over-taxation (Feldman, 2002).

J. M. Keynes in his presented general theory, after the "Great Depression" in 1929, emphasized the role of the taxation policy in wealth redistribution, and in slowing down or stimulating the economy at the aggregate demand level to keep the economy at full employment level. Redistributing wealth by taxes will increase the consumer propensity to consume and using taxes as "forced savings" would reduce the national debt and at the same time reduce the consumers' propensity to consume. Additionally, he proposed at the end of his general theory the utilization of direct taxation (on income, capital profits, and inheritances) to target wealth inequality that existed widely in society as stated himself. However, he pointed to the probability of successful evasions and demotivating risk-taking entrepreneurs from pursuing their productive activities in case of excessive taxes (Keynes, 1936). At the end of World War II, Keynes advocated the imposition of a "capital levy" which is a wealth tax, to recover government debt, change the incidence of taxes, redistribute wealth between classes and pay late wages. He stated the inconvenience of altering taxation by introducing that new capital tax, but for him, it was one of the main tools to reduce inflation during the war (Keynes, 1978).

J. Schumpeter's tax concept was introduced coupled with the concept of the "state". In other words, he viewed the state from a financial aspect that determines its form, nature, and future. For that reason, the "tax state" was established out of necessity to manage tax proceeds and fulfill public expenditures away from the control of the monarchy of Austria, where princes used to utilize tax revenues to finance their royalty's extravagant expenses. He considers those taxes as a fiscal tool mechanism is a manifestation of the modern state. (J. Schumpeter, 1918, 1954).

Schumpeter validated the classical view of capitalism regarding its institutional structure that involves the protection of private property and freedom of contracting. As far as taxation is concerned, he commented on poverty as a phenomenon that is a result of the interference in the economic system and when this interference is eliminated and the tax burden would only fall on the net product, the problem shall disappear. He viewed this idea as a forego for the physiocratic theory in favor of indirect taxation. Additionally, he confirmed that taxes have to be set according to the financial capacity of taxpayers, otherwise, they would be discouraged from pursuing productive activities. In his writings, he emphasized the importance of capital formation and economic growth, and he criticized taxes that would harm it such as taxing of interest, high incomes, and increasing inheritance taxes. Moreover, taxing incomes progressively will discourage labor effort and savings too. Since also investment and saving are sources of empowering the economy, taxing profits of entrepreneurs and high incomes would eventually impair economic growth. Schumpeter advocated indirect taxation of consumption and called for the disposal of direct progressive taxation to avoid the double taxation of income that is injurious to capital formation (J.Schumpeter, 1918, 1954).

The contribution of Paul Samuelson, amongst others, was considered remarkable in the formation of "Neo-Keynesianism", more specifically regarding determining the efficient level of public expenditure and how to fund it. In his "Pure theory of public expenditure", he introduced his most famous rule concerning the optimal provision of public goods or public expenditure[2], where he stated that lump-sum taxes are the best way to finance public expenditure or lead to the "best state in the world". He ensured that the competitive structure of the market needs to be enhanced institutionally, where some political decisions would be required, including imposing taxes or granting transfers (negative taxes), which ends at controlling individuals' purchasing power, trusting that they can allocate their resources optimally. Additionally, Samuelson stated that taxes and public expenditure[3] are tools for distributing income, where such distribution happens by combining both policies, aiming at efficiency in avoiding possible losses for taxpayers (Samuelson, 1954, 1955, 2002).

1.1.3 The Modern Optimal -Taxation Approach

While moving towards new taxation discussions that aim at attaining a theory for optimal taxation, most of the proposed theories depended on the utilitarian (marginal) analysis of

[2] The optimal level of expenditure is when the summation of marginal rates of substitution between a public and a private good is equal to the marginal rate of transformation between both goods.
[3] Such as expenditure on education and health.

the neoclassical school, discussing the implications of structural tax changes, mainly in income taxes, attempting to assess its reflections on income and wealth distribution.

As reviewed before, the welfare economic attainment of maximum welfare or well-being possible depends on the ability of the competitive market to be efficient in resource allocation, where agents pursue their interests, thus, everyone would be better off. However, the other welfarist approach considers all outcomes that are Pareto-efficient should be reinforced by a policymaker or the social planner depending on a social welfare function.

Under the set of assumptions of having identical or representative individuals in terms of their preferences, the tax planner aims at maximizing their welfare without causing other individuals' welfare to decline, which represents the embodiment of Pareto efficiency. The early and the new welfare economic theories and the optimal taxation literature puts forward the necessity of possessing a taxation system that maximizes the social welfare function of individual utilities that is constrained by some factors such as the linearity of the function, the type of the tax or the tax payers' characteristics, but they all reach somehow the same result, stating that lump-sum taxes (or subsidies) are the best or maybe the only type that can attain efficiency without distorting the Pareto optimality condition.

One of the earliest contributions in the quest for optimal taxation was by Frank Ramsey in 1927 which was later developed in the seventies and sustained with other contributions. Ramsey indicated that if a tax planner should only tax commodities, so, taxes should be imposed discriminately among commodities according to their demand elasticity, while highly taxing the most inelastic (Ramsey, 1927).

Corlett, W.J., Hague, D.C. introduced their famous discussion around favoring indirect taxation as a second-best option for welfare. They concluded that indirect taxation has an outstanding advantage compared to direct taxation if people can decide their amounts of work. Thus, real income and labor supply would increase. As for commodities, it was proved that the optimum indirect taxation of leisure goods with high inelasticity of demand represents an optimum indirect taxation system (Corlett & Hague, 1953).

James A. Mirrlees and A. Diamond introduced another model for the optimal taxation system under strict assumptions that might not be much related to reality as perfect information, ignoring differences in tastes and family sizes, rational calculations of labor in determining their amount of labor, etc. In this model, all tax systems are open to the discretion of the tax policymaker. Their main finding was that taxes should be imposed according to individuals' ability to earn, and that can be done only by observing their incomes. Consequently, when the policymaker imposes higher taxes on people with higher ability to earn, that shall discourage them or create a negative incentive for them to exert work effort to earn high incomes. They concluded as well that an optimal tax is where the marginal tax rate is reduced to zero for top income earners. As for the tax type, they discussed that with the lack of lump-sum taxes, a government would tend to utilize its power to tax or to give transfers to alter the prevailing income distribution by taxing or subsidizing commodities and optimal taxation would be attained when the trade-off between efficiency and equality is balanced. That requires an optimal commodity tax which denotes the desirable optimal aggregate production efficiency (Diamond et al., 1971). Afterward, Mirrleess in his next sole writing concluded that income taxes are not as effective as thought in reducing inequality, and it would be preferred to create other complementary taxes to it. As well, optimally, negative income taxes are endorsed (Mirrlees, 1971).

Joseph E. Stiglitz's and Steven M. Slutsky discussed the introduction of a general outline for building an optimal tax structure, taking into consideration the intersections between different types of tax policies. By examining direct and indirect taxation policies' relation to efficiency and equity objectives and according to the aforementioned literature, they emphasized that optimal taxation would be focused on finding a tax system that takes into account the difficulty in detecting individuals' attributes concerning tastes and incomes and deal instead with a specified alternative characteristic that is consistent with horizontal equity considerations. They concluded that if the government aims at efficiency, so it has to impose direct taxation in the form of poll (head) tax, with no need to impose commodity taxes (Atkinson & Stiglitz, 1976).

In a continuation of Stiglitz's series of studies in the pursuit of an optimal taxation structure, Stiglitz focused on what he calls the "Pareto-efficient tax structure" that involves the maximization of individuals' utility and production efficiency. He indicated several results including the desirability of randomizing tax structure and focused on optimal tax structures that involve a negative marginal tax rate for people with high ability to earn and a positive one for the low ability workers. However, he assured that any qualitative results can't be the basis of a tax policy until a general theory is established (Stiglitz, 1981). Additionally, he stated that his discussion seems inconsistent with the results of the utilitarian analysis, despite the approval of utilitarianism on choosing between alternative Pareto-efficient tax structures since it lacks cardinalization. Finally, he stated that still the optimal taxation structure that balances efficiency, welfare, and revenue collection purposes, is not reached yet and maybe won't ever be achievable (Stiglitz, 1987). Lastly, it is important to mention that Stiglitz later implied the need to tax the return of capitalists' capital progressively, contrary to his previous view of having a zero-capital tax, due to its high equity outcomes relative to its harmful effects, referring to the income disparities in the United States as a proof. He highlighted that there is an increasing awareness of inequality and its possible detrimental effects on society's welfare, productivity, nature, and individuals' behavior. Also, Capital taxes might be preferable to be imposed on workers (Stiglitz, 2018).

Lastly, Mankiw et al. (2009)'s study is worth mentioning. According to Mankiw et al. (2009), there are eight main lessons to be learned from the development of optimal taxation theory. Firstly, the distribution of ability should determine the optimal marginal tax schedule, where that schedule can be reduced for high-income earners. Second, flat taxes are argued to be close to optimal and that optimal redistribution takes place with wage inequality. Lastly, taxes should be determined based on the personal attributes of taxpayers not only their income, and final goods should only be taxed where capital income should remain untaxed. Mankiw et al. conclude that optimal taxation structures are still in the development process, mentioning that many recent studies recommend taxing capital regressively.

Optimal taxation theories have been exposed to different criticism regarding their unrealistic assumptions as having perfect information about people's tastes, assuming having identical individuals with identical utility functions, and the negligence of fairness considerations. For instance, Bradford & Rosen (1976) referred to one main criticism that has been directed to optimal tax researchers, and it is represented in the missing idea of "Horizontal Equity"[4]. Conducted optimal taxation studies cited the focus on utility-

[4] Horizontal equity: people in the same position must be treated equally. (Musgrave, 1990).

based equity rather than the ability to pay basis, meaning that it focused primarily on "Vertical Equity"[5].

Moreover, Thomas Piketty and Emmanuel Saez debated the limitations of the utilitarian analysis of optimal taxation research. They signified that several optimal taxation discussions utilized the Pareto standards to keep the analysis away from the utilitarian assumptions, leaving the analysis far away from the possibility of practical application. They recommended enhancing the normative justice theories to include social welfare realistic weights, and also to develop a positive analysis regarding distribution. To attain an optimal tax structure by means of methodology, the focus should be on realistic tax-related issues to have the ability to establish a superior tax system. Further, Piketty and Saez introduced a model of optimal taxation that focuses on two main reasons for inequality and they are differences in ability-based income and inheritances, thus, such inequality requires a two-dimensional tax system of both labor income and capitalized inheritance taxes (Thomas Piketty & Emmanuel Saez, 2012b, 2012a).

In the light of the aforementioned, we can conclude that the fiscal policy of western secular economies, in general, utilizes taxation to attain efficient resource allocation, economic growth, and equality of income and wealth distribution, thus economic stability shall be achieved. The search for an optimal taxation structure has definitely taken its crucial place in taxation studies, trying to establish a utilitarian or a Pareto-efficient tax structure that is optimal. Till the present time and despite the efforts of western economists, their taxation systems might be increasing their governments' revenues, but it doesn't fulfill their income and wealth redistributive objectives. On the contrary, looking at wealth redistribution statistical information, wealth and income inequality are deteriorating. Briefly, such a situation is caused by emphasizing income taxation as the main policy for wealth redistribution, where accumulated wealth itself needs to be targeted. This discussion is supported by Thomas Picketty (2014), as he referred to the fact that the capitalist economies are based on "Fundamental Inequality" due to the high return rate to wealth than it is to income and economic growth. Additionally, he referred to the significance of imposing a global wealth tax, which he had estimated to be around

[5] Vertical equity: people should be treated according to their income, high-income slots should be taxed more. (Musgrave, 1990).

2.5% on wealth. Even before that, Maurice Allais (1977) also suggested taxing wealth by 2% annually instead of income taxes (Trannoy, 2015).

The urgency of standing against inequality sources from the detrimental impacts of its negligence. Several studies discussed the effect of inequality on individuals'. Ugur (2021) discusses that economic inequality has a number of social and psychological implications on the less-privileged income groups' life satisfaction, well-being, freedom, and happiness. Moreover, the wealthy themselves call for an equal wealth redistribution, which sustains the possibility of affecting the well-being of all by inequality, especially if perceived as unfair by individuals. Ugur (2021) provides empirical evidence that shows the negative relationship between inequality and both life satisfaction and happiness.

1.2 ISLAMIC TAXATION

Firstly, the Islamic welfare state sets its fiscal policy, to be a tool for achieving "Maqasid Ash-Shari'ah" or the objectives of Al-Shariah of preserving people's five necessities (Ad-Daruriyat Al-Khams) religion (faith), lives, intellects, wealth, and offspring (Al-Ghazali, 2008). Taxation policy in Islam is rooted in understanding the role of that Islamic welfare state, more precisely, its economic duty that is embodied in striving to attain welfare by enhancing the economic situation of the lower fractions of the society based on the equitable distribution of income and wealth, targeting economic growth, and maintaining economic stability (Kahf, 1983). This fiscal policy might seem to be similar to the aforesaid conventional fiscal policy, except that in Islam, the welfare concept extends to include success in worldly life and the hereafter. In other words, it includes the attainment of a covering the needs of one's material needs, or even some kind of leisure with dignity, as well as attaining a spiritual dimension that fulfills his existence as God's viceregent on earth and as a worshiper.

Going back to the establishment of the Islamic State and the different following eras of the caliphate, the main sources of public revenues were diversified including Al-Zakah (Al-Fitr and Al-Mal), land tax (Kharaj), Tax on heads for non-Muslims (Jizyah), Fay', Ghanimah (war spoils), and Customs (Al-U'shur) (Khan, 2001)[6]. Moreover, it's important to refer to the additional resources of the treasury of the Islamic State from voluntary donations (Infaq and Sadaqah) and the Awqaf (endowments), where the latter is as old as the Prophet's PBUH state in the city of Al-Madinah that is considered the first fundamental seed of the Islamic state (Kahf, 1992).

At the time of the Madinah state ruled by the prophet Muhammad PBUH and the times of the guided caliphs (Al-Khulafaa' Arrashidun), taxation was imposed as an obligation upon Muslims and non-Muslims, both as being a part of the Islamic community, to meet the rising expenditures of the state where conquests were initiated, and the state of Al-Madinah was in the phase of building. Some taxes were imposed on non-Muslims alone as an equivalent to the obligation of Al-Zakah. According to Coşgel et al. (2009), conflict around taxation has existed since the imposition of Al-Zakah at the time of Prophet Muhammad PBUH, and wars started by the first Caliph Abu-Bakr against zakah non-payers after the prophet's death. That is due to the existence of ambiguous factors related to the role of the state in zakah and taxes collection and payment whether to be paid to the state or to the beneficiaries directly, a matter that has differentiated from one ruler to another. Moreover, since the emergence of the first modern Islamic state by the Umayyads that was followed by the Abbasids, Mamluks, and Ottomans, tax systems varied from one era to another and among regions and activities, where some would be based on the demographic composition (religion-based), Customs, or economic ability. Besides, The Abbasid period, in specific, was distinguished by its rulers' consultations with the legal community, which included judges, scholars, and jurisconsults, concerning taxation reforms or new taxes' imposition, to the extent that over twenty books on taxation titled "Al-Kharaj" were written during this period, and that still exist till this day, as the book written by the judge Abu Yusuf by the order of the caliph Harun Ar-Rasheed. Further, Al-Mustaghallat (Government investments) that were introduced by Walid Ibn Abdul-Malik, and Ibn Khaldun's reference to the Sales taxes and market fees in urban

[6] In this context and before starting the Islamic taxation literature review, it's important to refer that the Islamic law and its deducted rules are always derived from the main Shari'ah sources that are represented in Al-Quran, Sunnah, Consensus (Ijmaa'), analogy (Qiyas), and others. Thus, taxation rules, the previously mentioned diversified type of taxes, and their rates, also source from the same foundation.

areas, and taxes on foreign trade imposed by Omar Ibn Al-Khattab represented new sources of revenues in later years (Salama, 1983).

Aside from the prementioned review, Al-Zakah, for some Islamic economists and the western conventional mindset, is counted as the main basis for the theory of taxation in Islam whilst others regard it as only a part of a more comprehensive taxation policy due to the limitations of Al-Zakah proceeds and one main limitation is being restricted to earmarked beneficiaries. For that reason, it's crucial to discuss Al-Zakah in more detail as a fiscal policy tool by reviewing the opinions of Islamic economists, along with elaborating on the extent to which the Islamic state can depend on Al-Zakah as a taxation base, or whether it needs to impose additional taxes. That would pave the track to our further discussion that Al-Zakah should be given higher emphasis and importance as a fiscal tool of the state.

1.2.1 Al-Zakah (Religious Obligatory Alms)

Linguistically, Al-Zakah is derived from the Arabic verb "زَكَى - Zaka" which means to grow and increase and sometimes to purify, whereas "زَكَاة – Zakah" refers to the blessings, purification, and prosperity (Majma' al-Lughah al-A'rabiyah, 1989). Al-Zakah is the third pillar of Islam without which a Muslim's faith becomes incomplete; the reason why it was mentioned in the Qur'an in about thirty positions, where twenty-eight of them were stated vis-à-vis the obligation of the daily prayers. Both spiritually and economically, Al-Zakah has a significant position in Islam due to its remarkable contribution to the fulfillment of the Shari'ah law objectives on the individual and the societal level. In Islamic Shari'ah, Al-Zakah is religious obligatory alms on Muslims' fully owned productive wealth (assets and property) which have reached the Nisab (Maturity), to be collected on a lunar yearly basis. As well, Al-Zakah is to be distributed to its deservers as specified precisely in Surah (At-Tawbah: 60) in the Qur'an, those eligible beneficiaries are the poor, the needy, zakah collection employees, Islamic propagation, freeing slaves, the indebted, in the way of Allah, and the wayfarer.

Zaim (1993) defined Al-Zakah as a compulsory payment that is collected from the Muslim community members' surplus money, or in other words, from the "Comparatively well-to-do" members to be given to the needy and those in penury. Al-Qaradawi discussed that Al-Zakah in the Qur'an is viewed as a general principle, but other details concerning its rate, maturity, zakatable wealth types, and conditions are discussed in detail in Sunnah verbally and practically (Al-Qardawi, 2000b).

Al-Zakah is not only acquired on the cash component of wealth. On contrary, it is levied additionally on all types of economic resources such as commercial goods, livestock, minerals (gold, silver, precious stones…), rented buildings and land, and agricultural product. By utilizing analogy in modern applications, it would be imposed on any economic capital investment accounts, shares, and bonds (Sukuk) that are considered eligible for Al-Zakah (Al-Qardawi, 2000). Moreover, it is determined as a fixed or a flat rate for each type of zakatable items.

Al-Ghazali clarified that Al-Zakah, compared to other religious obligations, unifies two of the main legal duties of a Muslim and they are: the pure worship of the zakah payer and giving the right of the poor willingly as an act of full submission to the Almighty God (Al-Ghazali, 2005). As for society, Al-Zakah is one of the main cornerstones of achieving the socio-economic objectives of the Islamic State, by providing a solution for inherent problems like poverty, indebtedness, unemployment, and most seriously, unequal income and wealth distribution. The focus of Islam on wealth distribution aims to prevent wealth from being concentrated in the hands of a few people, as mentioned in the Quran in Surah (Al-Hashr: 7) “So that wealth may not merely circulate among your rich”, and Al-Zakah plays an important role in attaining that end. It is a portrayal of brotherhood and solidarity leading the overall welfare of the society to rise and this thesis will attempt to illustrate the socio-economic role of Al-Zakah in a coming section.

Siddiqi (1992) discusses that Al-Zakah fulfills Adam Smith’s prementioned four maxims of proper taxation, attempting to interpret zakah as a fiscal policy tool with the conventional taxation ideas. For him, the fact that Al-Zakah, as explained earlier, has to be imposed only on people with eligible wealth and savings after a whole year, will contribute to a higher accumulation of zakah proceeds, leading to a greater effect on its deservers ending with attaining social justice. Thus, it’s just even more than a tax. He added that it is certain since it is a fixed rate, with a determined time and form of payment, and expenditure. It’s convenient being an annual payment that has to fulfill the eligibility of its amount and is paid in the form suitable to the productive asset or wealth. Finally, he stated its simplicity due to being calculated based on a fixed easily understood rate, thus its collection shall be easier.

1.2.2 Islamic Tax system's Features and the Imposition of Additional Taxes to Al-Zakah

Due to the disappearance of most of the discussed revenue sources of the first Islamic state's treasury, in Islamic literature, there are controversial discussions about whether an Islamic state can impose other taxes upon its citizens besides Al-Zakah. Since Al-Zakah alone might not be enough to cover the expenses of the Islamic state or to eradicate poverty even if extreme poverty itself is not prevailing in a society. Jurisprudence scholars who disapproved of tax imposition justified their view in terms of "baring a soul more than it can - another Islamic principle", violating individuals' property rights, and also from the side that it is negatively affecting markets by eliminating the incentive to be an active member in economic activity and to produce. However, since the obligation of Al-Zakah in the second year of Al-Hijrah and in later times, the imposition of additional taxes on the rich in case zakah proceeds, voluntary spending "Infaq" and Awqaf are insufficient in covering the needs of the poor was affirmed. In exceptional circumstances such as war, taxes were imposed too. Even in late periods, Islamic scholars as Al-Ghazali, Ibn Taimiyah, Al-Shatibi, and others interpreted the levitation of additional taxes in the frame of Al-Maslaha (welfare) of the Muslim society in general. This last view is not only supported by contemporary jurists such as Al-Qaradawi (2000) but also many economists' studies discussed and approved the aforementioned fact that there is a need to levy additional taxes from an economic point of view.

One of the earliest economic contributions belongs to Ibn Khaldun. His analytical economic opinions in his "Muqaddimah" in 1377, including his thoughts about taxation, have earned their place, not only in Islamic societies but also in the west to the extent that classical and new classical economists propagated and rephrased his ideas, then built their theories upon it. Firstly, he stated that the initial stages of a state would have relatively limited distributions[7] to individuals, and later on, it would increase. That's because when the state is in its initial stages of establishment it is characterized by the Bedouin style and tolerance. As well, since it would be based on religious rules, the state would possess

[7] As explained by Ibn Khaldun himself, distributions means tranfers or subsidies.

limited resources represented in Al-Zakah, Kharaj (Land Tax), and Jizyah (Head Tax for non-Muslims) which are limited. At that stage, he approved the importance of imposing low amounts of taxes on people or not at all since that would stimulate people to work knowing that they won't be taxed. He stated that with cities' expansion, and development, where in case state revenues are insufficient, taxes are needed to fund welfare purposes. He illustrated that when states leave their Bedouin initial gown to be more civilized and structured, their tax impositions and distributions will definitely grow for it to be able to cover its welfare requirements and will gradually increase relatively with the development of such requirements until eventually, people feel its heavy burden. High taxes would drive people gradually to reduce their level of activity and construction would shrink which will eventually harm the state. Subsequently, understanding that fact signifies that the strongest motive to build civilizations is by reducing tax impositions. Additionally, he emphasized equity, efficiency, justice, ability to pay, balance, neutrality, and convenience as prime principles of having a finetuned tax policy. Moreover, he warned of the negative consequences of discarding these principles, mainly reflecting on the discouragement of businesses till they disappear. Additionally, he referred to the implications of having an unjust discriminatory tax policy on reducing tax revenues (Ibn Khaldun, 2004).

Salama discussed that for the Islamic state to attain economic stability, efficient resource allocation, just income distribution, and flexible revenue and expenditure systems are required. He suggested that progressive taxation on income and luxurious consumption taxation, land taxes, and capital taxes, in addition to social payments and grants can function as stabilizers to the economy, whereas measures for avoiding these policies' adverse effects have to be prepared. In his view, Al-Zakah, among all the prementioned resources, reduces the conflict between the different objectives of the Islamic state due to its independence of the budget with a fixed rate and well-defined beneficiaries, serving mostly the income distributional function of the state. Still, the state can utilize progressive taxation for example to target the same objective. Additionally, he highlighted the prohibition of hoarding financial resources in Islam and the necessity of chastising hoarders as they act as an obstacle to growth and employment. Further, he stated that not only taxation policies should be thought to be the only source of public revenue, but also governments should increase their public investments and encourage private ones. For an optimal tax structure in the Islamic state, Salama sets the following: taxing unnecessary consumption and luxury imports, minimization of profit taxes, lower marginal and flexible tax rates, equity, considering ability to pay, high criteria of tax officials, and independent administration of public revenue resources, all as prerequisites for such a system. Lastly, Salama emphasized the importance of Al-Kharaj as a system that can represent a break-through for countries especially those with productive fertile lands, as has been estimated before in the Islamic state, Kharaj Proceeds would reach up to 900 Million dirhams[8] as occurred in the time of Khalifah Harun Ar-Rasheed (Salama, 1983).

Faridi (1983) emphasizes first that the fiscal policy of the Islamic state must be theoretically based on Islamic economic norms and values that affect resource allocation, distribution, and economic stability. Second, it would depend on the behavior of the historical initial Islamic economic system, utilizing it as a selective sample since no empirical database for modern Muslim communities is properly formed yet, which can be limiting. However, it assists Islamic economists in their endeavors to visualize how an Islamic economy used to function, thus, how it should be functioning in the present time. After this crucial primer, he viewed the opinion of some theorists of defining any levies apart from Al-Zakah as not Islamic since for them it violates the private property rights of individuals that Shari'ah has identified, subsequently, all other levies would be unjust. He considered such an opinion as being disapproved by several scholars and modern legal and economic studies since they recognized the importance of achieving the socio-economic objectives of the Islamic state is much more complex than before. Additionally, he states that in an Islamic economy, Al-Zakah is considered the foundation of its fiscal policy and the most important distributive tool, where its operation has to be within the institutional structure of this economy. However, to him, Al-Zakah may lead to secondary impacts on the economy that can be retargeted only by taxes. Firstly, the fact that zakah proceeds' possible short falling to cover all expenses of welfare has been proved in the Quran, by the continuous Qur'anic encouragement of spending voluntarily and donating.

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[8] A. Abdullah (2020) shows that a Dirham's standard weight is 2.975 grams of silver, which represents 7/10 of 1 dinar (4.25g of 20-carat gold), as existed at the time of Harun Ar-Rashid. As calculated in 26 June 2020, where the price of 1 gram of 20k gold is $48.9 USD (*Gold Price Global*,2022), 1 Dinar (4.25g * 48.9$) and 1 Dirham worth (4.25g *48.9$*7/10) would be equal to approximately 208 USD and 145.5 USD. Thus, the reported 900 million dirhams worth approximately 130.950 billion USD.

Also, the realistic abrupt accumulation of personal income being only reachable through taxes, not Al-Zakah, for the author, makes the equitable distribution of income in need of other levies, and such additional charges are permissible in the Shari'ah law. Secondly, to attain an efficient allocation of resources, the Islamic economic system needs a well-judged usage of the taxation system with adjustable tax policies that fit the time and spatial changes. Faridi also emphasizes the importance of raising additional resources through Adhoc taxes. That is to provide funds for essential goods in case of the occurrence of speculative hoarding situations since precise price control measures are not clear in an Islamic system. Thus, the aggregate minimum welfare is guaranteed. Lastly, Faridi indicated some conditions for an optimum tax level that is not set quantitatively, rather, they are derived from two prime constraints to the Islamic tax system design. Initially, it has to enhance the **resources mismatch** sourcing from possible insufficient zakah and voluntary spending proceeds where policymakers would be responsible for assigning required tax amount, rates, and structure. Then, the tax system should be compatible with the **objectives gap**, meaning it has to serve the same ends of Al-Zakah. For instance, the tax policy would need to be reformed in case zakah caused individuals to divert their savings into overspending or from investment in zakatable items into activities that are ineligible of Al-Zakah which will affect the aggregate welfare negatively. He concluded that taxation, as a public resource of the budget, will decline in importance in an Islamic economy eventually as he expects the private development initiative, the zakah system, and low expenses of Islamic administration to be the defining characteristics of an Islamic economic system.

Metwally (1983) reviewed Al-Zakah as a religious tax. However, since Al-Zakah is determined by fixed rates, collection time, and specified explicit channels to be directed to, it is hard to utilize Al-Zakah as a tool that authorities can utilize the same way as taxes to achieve its economic objectives. Yet, Metwally considers Al-Zakah system superior to the Keynesian progressive taxation due to its wider base as it is imposed on both incomes and assets, it is directly paid to the poor causing their propensity to consume to increase, and it falls weightily on possible growing capital or assets. Consequently, it creates a stimulus to invest rather than having a discouraging effect. Besides Al-Zakah, Metwally stated that extra taxes need to be levied on income or wealth to fund the different purposes of Al-Zakah. These dues will be the foundation of Islamic economic fiscal policy; however, they should be imposed in a well-planned manner.

Monzer Kahf asserts that Islamic taxation should be in line with the roles of the Islamic welfare state, which are attaining equality, development, and economic equilibrium. For him, internal and external security, governmental facilities support, maintaining a specific standard of living, economic relief, developing infrastructure and production capacities, and supporting political authority activities can all justify taxes in our modern time as a necessity. After surveying the views of Muslim scholars such as Ibn Malik, Ibn Hazm, and Al Kattani, he concludes that imposing taxation is permissible by Muslim scholars, as much as needed to cover the amount deficit in the budget of the state. So, he argues that taxation is the last resort when other possible solutions, even if it was interest-free compulsory borrowing, were not available and should be restricted to urgencies. Also, he settled that financial capacity (richness), bonus or windfall profits, capital gains, and customs on non-Muslim traders can bear the tax burden to some extent. Lastly, Kahf commented on the efficiency of the tax processes by arguing that a just and feasible calculation, collection, and distribution of the tax burden is necessary for efficient tax processes (Kahf, 1983).

In the light of the prementioned review, any additional taxes to be imposed in an Islamic economy have to be following the main framework of justice of Islam, to avoid possible societal conflicts, instability, and disturbance from one side and to avoid adverse effects of adopting wrong taxation policies from the other side. Nowadays, that can be performed by several available fiscal taxation tools to Muslim countries, such as progressive income taxes, taxing luxurious consumption, and capital gains. Nevertheless, tax imposition has to be aligned with Islamic principles. Amongst Islamic jurists and economists elaboration, the work of (Faridi, 1983; Metwally, 1983) referred to three main principles of levying additional taxes on income and property and they are: multiple assessments of the same income bases are not permissible in the same zakah period, people's expenses have to be deducted before the calculation of a tax as in zakah, and no personal or collective income levies shall be imposed on those who come below the Nisab "eligibility" of Al-Zakah.

Interestingly, in Al-Qaradawi's masterpiece "Fiqh Al-Zakah", he discussed the principles of levying a tax in the light of the four maxims of Adam Smith of proper taxation, asserting that Al-Zakah fulfills all these principles. According to Al-Qaradawi, the same rules of Al-Zakah law should be followed when imposing any other tax levies. Firstly, Al-Zakah is just, due to it being equal in obligation, with one maturity, no duplication as paid only once a year, different efforts obligate different rates, special deduction as debts, and finest knowledgeable officers' selection for its collection and distribution. Secondly, Al-Zakah payment is supposed to be highly certain for Muslims, as it is divinely set by Allah SWT in the Quran with predetermined rates. Further, all legal rules related to Al-Zakah are fixed and can't be changed, making it a stable institution. Thirdly, Al-Zakah is convenient in the sense that zakatable items are calculated and prepared at their local places without extra effort on the part of the zakah payer. Also, zakatable items are collected from the medium quality items leaving the best of it for the payer (grains and crops zakah), and it is permitted to leave allowances for errors, voluntary charity to others, and family consumption. Al-Zakah as well can be paid at later times upon urgency. Fourthly, the collection of Al-Zakah is economical since it must be disbursed in the same place it is collected from. As for collection costs, moderation is indorsed in Islam in spending public funds, and for the zakah, Al-Qaradawi mentioned that Al Shafi'i determined not more than 1/8 of the zakah proceeds to be dedicated to the zakah workers (Al-Qardawi, 2000b).

Post to surveying the conventional taxation mindset and the Islamic literature with regards to both Al-Zakah and taxes, it seems that both the conventional and the Islamic systems intercrosses at major points, however, taxes and Al-Zakah are different even if both have similarities. Besides, Muslim scholars, except for very few, agreed that after the collection of Al-Zakah, and in case of real necessity, taxes can be imposed cautiously by the amount needed to cover the gap between the state's resources and expenditures, and according to strict conditions that are in the favor of the taxpayer in accordance with the way that was practiced in the early years of the Islamic State and caliphate. In the present time, and for the fulfillment of a modern state's economic and social objectives, extra taxes are required which is a view that has been also supported by several scholars and Islamic economists.

CHAPTER TWO: A COMPARATIVE CONCEPTUAL ANALYSIS OF AL-ZAKAH AND TAXES

After reviewing the main features of taxation from the conventional and the Islamic perspective, this chapter elaborates on the differences between the concepts of taxes and Al-Zakah from various dimensions.

2.1 IS AL-ZAKAH A TAX?

Diversified opinions have been elaborated between Muslim scholars and economists about the similarities and differences between Al-Zakah and a tax, and most controversially, whether Al-Zakah is considered a tax or not.

Firstly, according to Mohamed Ariff, Al-Zakah is a divine commandment and an act of worship, not a tax, referring to being careful about propagating the ideas calling for extending the zakah base and uses (Ahmed et al., 1983). As well, Omar Zubair referred to the necessity of not calling Al-Zakah a tax since taxes represent a burden and is paid with discomfort unlike Al-Zakah which is pleasurably paid (Ahmed et al., 1983). Al-Jarhi considers Al-Zakat a religious obligation that can be similar to a redistributive wealth tax in a conventional context, but it shouldn't be called a tax (Al-Jarhi, 1985). Further, Al-Qardawi (2000) stated that Al-Zakah shouldn't be referred to as a tax due to its reference to higher spiritual and material meanings that are missing in taxes.

However, Faridi and Metwally (1983) discussed that Al-Zakah is a tax, as mentioned in the last chapter, precisely as Metwally described it as a religious tax on wealth, and although it is a pillar of the Islamic doctrine, it is still a form of tax. Additionally, Khan (2001) argued that Al-Zakah is a tax, stating that the theory of taxation in Islam is derived from the principles of the zakah Law. He describes the former line of argument about not calling Al-Zakah a tax to have a touch of romanticism. Moreover, he signifies that Al-Zakah attributes as being compulsory, has periodical fixed-rate payment with determined expenditures where the Islamic state has the right to compel Muslims to pay it, all make it a tax but a special type of a tax with a divine sanction.

Leading from that perception of Al-Zakah, the distinction between Al-Zakah and taxes can be eloquently elaborated next, concluding with a reasonable concept or definition for

Al-Zakah. Distinguishing the two concepts would clarify the idea that taxes can't replace Al-Zakah.

2.2 AN INPUT-OUTPUT ANALYSIS

By outlining the differences between Al-Zakah and modern taxes in a system, it is attempted to exhibit Al-Zakah in an "Input-Processing-Output" simplified model where Al-Zakah and tax's origin and conceptual aspects (inputs), enforcement (processing), and impacts (outputs) are described theoretically, shedding the light on the efficiency of Al-Zakah, as a value-added component to the economy, especially as a distributive tool in favor of the poor.

2.2.1 The Nature of The Concept (Inputs)

Both Al-Zakah and taxes have several common factors that can be pointed out in terms of their origin and concept. Al-Zakah and taxes are compulsory disbursements that individuals have to pay to the state, although that is not generalized in the case of Al-Zakah since it doesn't exist as a public institution in all countries as it is in Saudi Arabia, Sudan, Pakistan, and others. In case Al-Zakah is not paid to the state, Muslims have to pay it to the beneficiaries directly themselves (Al-Mawardi, 1999)

2.2.1.1 Terminology and Origin

Notwithstanding that mandatory nature, they both originate from different sources. Al-Zakah's origin is Allah's command in the Quran, the Prophet's Hadiths, and the consensus of Islamic jurisprudence scholars. It's a religious duty and an act of worship that is sanctioned by the Creator upon His creation. However, taxation is a human-made system that originates from human-made legislations and laws that dictate people's lives. Even before the appearance of the modern state, individuals could also follow the customary law or rules sourced from religion regarding taxation. As for their names, each holds a different meaning. Taxes in Arabic are related to liability, burden, and charge. According to the Arabic lexicon, the "Tax" word is derived from the verb "ضَرَبَ" which means imposed and obligate (Majma' al-Lughah al-'Arabiyah, 1989). Further, the Persian-rooted Arabic word "طَسَق" means "the land tax" is referred to be the root of the word "tax", appeared in the writing of Omar Ibn Al-Khattab (Ibn Al-Atheer, 1963). On the other hand, Al-Zakah distinctively stimulates purity and growth besides being an act of worship. That's the reason why many scholars and economists refuse to liken Al-Zakah to taxes. Besides, stating that taxes are unrequited payments is not exactly correct as discussed by some economists (see section 2.1), but Al-Zakah can be considered as an unrequited payment as it is given to the beneficiaries without expecting or receiving something in return from the state. Zakah payers aim at getting their promised rewards by God by having their wealth blessed in the worldly life and the reward of the hereafter.

2.2.1.2 Prerequisites

One of the main prerequisites of Al-Zakah payment is belonging to Islam. So, Muslims only are compelled to pay Al-Zakah. After fulfilling that condition, the Shari'ah law determines Al-Zakah's obligation to Muslims only[9]. Also, firms and companies are not considered real personalities by many scholars where every partner has to pay his zakah from his own eligible profits. Recently, there is an exception for joint-stock companies in which its legal personality is treated as a person and the total profit represents one profit (The International Fiqh Academy, 1988). Coming to taxes, it is compulsory for individuals, businesses, and companies without being restricted to any religious pertinence or being a real personality. Since the law identifies legal personalities as real personalities, companies' and firms' profits and incomes are taxed as well. Dependent children, people with disabilities, and whoever earns the amount of income or profit that is eligible for a tax can be taxed (Fleming, 2019; US-IRS, 2021).

Furthermore, Al-Zakah is imposed on fully owned productive or growing wealth with its various types (see section 1.2.1 for more details), and its law defines all items eligible for Al-Zakah precisely according to their types and their Nisab (Maturity). Also, its rate, payment method (cash or a share from the product or asset), and timings of payments[10] are fixed with no alteration except in case of urgency as will be discussed. Besides, Al-Zakah is paid from the same type of eligible zakatable item. Gold's zakah is gold, cash is cash, land product is also a share of the land product, etc. However, Muslim scholars ruled out the possibility of paying Al-Zakah in an equivalent cash value at the time of its

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[9] Some scholars determined sanity, maturity, and ablility as perquisites for paying Al-Zakah. Other scholars didn't require maturity and reasoning requirements, but only conditions on zakatable items' satisfaction is enough.

[10] After the completion of Al-Hawl of one Lunar (Hijri year), or the time of having ripe agricultural product as an indication to the growth of the zakatable item. In countries that possess a state Zakah institution, there might fixed times determined for collection.

payment in case of necessity as ruled by Imam Abu-Hanifah (Ibn Taymiyah, 2004). Additionally, Al-Zakah is specified to the specified eight beneficiaries that are stated in Surah (At-Tawbah: 60) in the Qur'an. As for taxes, taxable items include income, property, inheritance, capital gains, and consumption, which represent taxing profits, services, assets, and economic activities. Besides, taxation policies, rates, payment timing, and expenditures or its beneficiaries can change from time to time, according to the considerations and objectives of the government on a periodical basis with yearly assessments and from one country to another. It can also be reduced, increased, canceled or new types of taxes can appear, all according to the state's requirements. Although tax rates aren't determined arbitrarily as it is designed and determined by policymakers according to specific measures, that doesn't contradict the fact it is changeable.

It can be articulated that the maturity or "Nisab" that zakatable items have to reach indicates a minimum richness level, or a level of exemption that covers one's necessary spending, family spending, debts, and productions costs for business owners, and sometimes it would cover close relatives spending in case they fall in the responsibility of the zakah-payer. Same for taxes, sometimes specific slots of income and activities are exempted from taxes based on the ability to pay, indebtedness, living expenses, or as an incentive for business start-ups. However, as Al-Qaradawi (2000) states, that has been determined in the Islamic Shari'ah before such elements have been discussed in the scope of public finance. Also, as the Al-Zakah payment can be delayed for extraordinary situations as occurred in the year of "Al-Ramadah", the year of drought and starvation in the time of caliph Omar Ibn Al-Khattab, taxpayers can have extensions or exemptions for payments in case of inability, general catastrophe or others (Al-Qardawi, 2000b).

In the view of Nisab, it's important to elaborate on the discussions of Islamic economists who investigate the alteration of Al-Zakah's Nisab to fit the needs of our modern living standards. Abu Saud (1988) argues that the amount of Nisab has to be changed due to the inadequacy of its current structure to justice[11]. Faridi also called for the construction of a poverty line that is based on the living costs index that represents the minimum needs for one's living which reflects the changes in these costs. He stated also that Nisab would be

[11] As cited in (Sadeq, 1994).

fixed on gold, silver, and assets but not people's incomes. Thus, those below the poverty line are eligible to receive subsidies or transfers and those above it would pay Al-Zakah.

On the contrary, others have assured that Nisab shouldn't be altered in any way. According to Kahf (2014), Nisab should be kept as it is while he supported deriving a Nisab for new zakatable items that appear in the present time[12]. Commenting on Faridi, economists such as Mohamed Sakr states that those who possess Nisab are not considered poor, so a poverty line might include people who must pay zakah under the line, making them eligible for transfers without paying zakah (Ahmed et al., 1983). Omar Zubair also commented that a poverty line is not absolute, mentioning that it has been proved that zakah payers sometimes can benefit from Al-Zakah in a case seen appropriate as Omar Ibn Al-Khattab did (Ahmed et al., 1983). Al-Qaradawi (2000) as well discusses collecting Al-Zakah from high incomes as been proved to have been practiced by Prophet Muhammad PBUH and Omar Ibn Al-Khattab. Al-Jarhi and Zarqa suggest a solution that has a double bonus for such calls, where first, all incomes and assets that exceed Nisab should be zakatable, and second, Al-Zakah can only be collected as either an asset or its income, not both of them concurrently (Al-Jarhi & Zarqa, 2007).

The fact that Nisab is determined to specific grams of gold or silver units or what is equivalent to them in cash, where gold and silver as precious metals are timeless value storage metals or value keepers, it can be said that it can fit into our present life. Presuming that the prices of both increased, that means that Nisab as in money would also increase, so income or wealth owners who are affected by overall inflation would be exempted from Al-Zakah. Also, the determination of Al-Zakah as a part of the product of the land or as heads of livestock is convenient to the zakah payer in that he won't be worried about the marketing and selling of his product to gain the zakah money equivalent and as well is convenient in terms of attaining a minimum food sufficiency for the beneficiaries who represent a considerable part of the community.

2.2.1.3 Targeted Groups and Objectives

Moreover, Al-Zakah and taxes have a unified objective of attaining social justice and redistributing both income and wealth from the prosperous to the vulnerable fractions of

[12] Such as dividends, shares, investment accounts, etc.

the society. However, this purpose is one of many other purposes of tax policies since they are governmental fiscal tools with which public services can be acquired as financing for defense, education, health, transportation, etc. On the other side, Al-Zakah forms a pure net of social security, and it is the right of the poor and the needy in the money of the wealthy. Recent Islamic economic studies reviewed the possibility of utilizing Al-Zakah funds for other social purposes as to be spent on education, health, other services, or generally, public and quasi-public goods. Between opposing as Anas Zarqa and consenting parties such as Faridi and Mohamed Akram, some see that Al-Zakah is specified by the divine scripture to specific categories of the society, and it can't be utilized in funding public goods, supporting their view by the fact these goods are consumed by both the poor and the rich, whereas others see the opposite (Ahmed et al., 1983).

Some scholars as Abu Yusuf discussed that Al-Zakah proceeds can be utilized to cover the expenses of students, road maintenance, or what the ruler sees to have a Maslaha or the welfare of people as a part of the category " In the way of Allah" or " Fi Sabil-Allah" (Abu-Yusuf, 1979). Al-Qaradawi (2000) discusses that the four major Fiqh schools restricted that category to the fighters and those who defend Islam. However, sees that building Islamic schools, libraries, or hospitals to benefit Muslims against exploiting institutions is a possible interpretation of the way of Allah. Rashid Rida's opinion, as cited by Al-Qaradawi, includes re-establishing the Islamic state and rebuilding the Islamic society from Al-Zakah funds for Muslims to be able to apply the Islamic way of life from the category of "in the way of Allah". Others added that in case of its usage for public purposes, the wages of the workers of these sectors as to be excluded from Al-Zakah proceeds (Mustapha & Sapiei, 2005).

2.2.2 Enforcement (Processing)

Since the initial establishment of the first Islamic state in Al-Madinah by prophet Muhammad PBUH and the obligation of Al-Zakah in the second year of Hijri year (662 AD), followed by the four caliphs ruling, Al-Zakah was collected and distributed by the heads of the states. During the modern caliphates, the Umayyads and the Abbasids enforced the collection and distribution of Al-Zakah by the state's officials.

However, Kuran (2020) mentioned that during the Abbasid era, the act of paying Al-Zakah directly to its receipts was practiced, and scholars such as Abu Ubaid and Al-Mawardi didn't condemn it. During the end Umayyad era, there were calls to hold Al-Zakah from rulers. Also, although both the Abbasids and later the Ottomans, had strong zakah and U'shur collection systems, it was opposed by scholars, leading to the failure of trusting rulers due to extracting payments with force and oppressiveness (H. Ahmed, 2004).

With the imposition of new taxes, the conventional establishment of Al-Zakah started to fade, for instance, during the Fatimids and Mamluks states, rulers raised revenues by taxes whilst Al-Zakah was left to Muslims to pay based on their discretion and consciousness. Bulut & Korkut (2019) reported that the Ottomans didn't have an institution of Al-Zakah, while the state addressed its social problems through Awqaf (endowments) as another form of social cooperation.

2.2.2.1 Enforcement Scope

Based on the previous discussion, Muslim jurists are in a consensus that the collection and distribution of Al-Zakah are the duties of the state, and it should be enforced and collected from every Muslim irrespectively to the economic conditions of a country as long as eligible payers exist and are able to pay. That is because Al-Zakah is enforced by God's law and order. They depended on the evidence that the workers responsible for the collection and the distribution of Al-Zakah get hold of their salaries from Al-Zakah itself as one of the eight beneficiaries[13]. As well, the Qur'anic order "Take from their wealth charity to purify and bless them" in Surah (At-Tawbah: 103) refers that the head of the state, represented in The Prophet PBUH, should be responsible for the collection and distribution of Al-Zakah. Some jurists also enabled the ruler to punish the defaulter by an extra amount in addition to the original zakah proceeds using force (Al-Qaradawi, 2000). Wars even started to compel Muslims to pay their zakah. For instance, caliph Abu Bakr As-Siddiq led a war against those who stopped paying Al-Zakah after Prophet Muhammad PBUH's death. Also, its denial can take one from his full admission to Islam as jurists discuss. On the basis of Al-Zakah's importance, the workers of Al-Zakah had to meet specific conditions such as leniency, sanity, puberty, trustworthiness, knowledge,

[13] The Quran, Surah (At-Tawbah: 60).

and efficiency, where their only duty was to collect and distribute Al-Zakah. Other kinds of public resources as Al-Karaj had other employees appointed for its collection. This discussion entails the significance and the urgency of having a structured institution of Al-Zakah in our present time to assure its enforcement.

On the other hand, Taxes are enforced by a country's conventional law. Some taxes like sales and income taxes are deducted automatically, where a salary or a product's final price has already been taxed. Some other taxes as profit taxes for corporates, and due to their payment at the end of the economic activity period, the government has the right to confiscate businesses' available funds, bank accounts, and assets until the amount of taxes due is paid, that in case of tax aversion or manipulation in corporates' balance sheets. Tax officials also are assigned by the state where in some countries they have a degree of legal local authority over taxable items. Both Al-Zakah and taxes proceeds are collected as a whole to eventually devolve to the public treasury of the state without pre-specification of which party would receive which percentage of the overall acquired proceeds. After collection, it would be directed to its beneficiaries in the case of Al-Zakah and to cover the planned public budget of the state in the case of taxes.

2.2.2.2 Enforcement Differences

Although both enforcements are comparable, they have differences at several levels. Firstly, as mentioned in chapter one, Al-Zakah proceeds were to be collected and prioritized for local spending where it has been collected, and that noticeably and positively affects the welfare of a specific city or a village directly without having to wait for its re-allocation, thus regional disparities are mitigated. Khan (2001) stated that such a method will have two advantages. First, it aids with Al-Zakah enforcement as evasion can be detected easier even by locals themselves. Second, it will encourage locals to pay their zakah, seeing the change in their local community resulting from their payments. As well, several scholars such as Ibn Taimiyah endorsed directing extra funds if still available to be deployed in another city or country (Ibn Taymiyah, 1998). Such traits are missing regarding taxes since its expenditure specification occurs after the collection and the admission of tax revenues to the public treasury. So, its enforcement involves higher costs and time. Also, one country's taxes and extra funds can't leave the boundaries of the country except in the form of foreign aid., and after fulfilling the country's needs.

Secondly, although taxes are compulsory upon individuals by the state as long as they meet the governmental criteria of taxation, the laws of taxation can receive resistance challenges, and criticism from people. In addition, people can appeal to drop some of their tax dues provided that a proper justification is available, the thing that makes it difficult to determine a well-defined base of taxpayers on a fixed basis. However, Al-Zakah, according to its nature of certainty about the criteria of its payers and their eligibility, presents a solid base with fewer disputes from the side of the public. And if any did exist, only Muslim jurists can settle it and Muslims eventually have to comply with it initially as a religious and secondly as a public compulsion. Moreover, Muslims mostly are assumed that they would be expressing their willingness to pay even more than their zakah proceeds-to-be due to the encouragement of voluntary spending in the Quran and the Sunnah, promising them more provision in life and rewards in the hereafter and that shall be clarified in details next. Even for taxes in an Islamic state which is imposed along with Al-Zakah, Al-Masri (2006) mentioned that some Islamic scholars such as Ibn Taimiyah ruled the prohibition of evading them as that leads to more injustice for non-evaders till the tax burden reaches the most vulnerable eventually.

2.2.2.3 Evasion

Thirdly and in connection to the second point of discussion, in the case of taxes, people have to meet the tax imposition due to their fear of being detected, penalized, or fined. A factor that sometimes leads to a situation where people pursue tax avoidance circumvents, which eventually might not fulfill the main purpose behind imposing these taxes. According to the state of tax Justice report of 2020, countries all over the world lose around 427 billion dollars on yearly basis due to the acts of abuse of international corporate tax and evasion of private taxes. The report also indicated that high-income countries possess most of these losses as being responsible for 98% of them, however, the effects of tax losses are remarkably great for lower-income countries. The report recommended excess gain taxes, a wealth tax, and a UN convention to amend the international tax system (Tax Justice Network, 2020). Recent empirically supported extensive literature around tax evasion or tax non-compliance behavior determines several factors such as low trust in government and its performance (Damayanti et al., 2015; Dell’Anno, 2009), the inefficiency of public administration in designing tax rates or in building a Justice system (Drogalas et al., 2018), preserving taxes as unfair (N. Saad, 2012), low enforcement, lower religiosity, lower ethics and morals (Benkraiem et al., 2021) to be main elements that contribute to higher prevailing tax evasion or tax non-compliance behavior. Richardson (2008) proved that lower enforcement, low trust in governments, and low religiosity lead to higher tax evasion throughout different countries. He also stated that those who think that taxes are unjust would show a high tendency to evade taxes. Moreover, Torgler maintains that religiosity increases tax morale, even when other factors such as trustworthiness, demographics, and corruption are controlled (Torgler, 2006). In addition, Benk et al. (2016) found that religiosity affects voluntary and enforced tax compliance in a positive manner. That takes us to what (Cullis & Lewis, 1997) asserted enforced compliance contributes to the increased tax resistance, and chaos is to be without voluntary compliance.

From an Islamic perspective, the Islamic State also had to right to punish Al-Zakah evader and compel him to pay. But unlike taxes, Al-Zakah is legalized and paid based on faith, cooperation, and moral basis. Muslims pay their zakah to admit their gratitude to Allah SWT for what he has bestowed upon them, where they are entrusted with the poor's rights. That relation between the divine order and the payment of Al-Zakah indorses compliance. Also, the Qur'anic warning for those who prevent the poor their right by refusing to pay Al-Zakah supports its payment. Thus, a defaulter should face the Islamic law on earth, and Allah's punishment in the hereafter and that creates a greater motive for individuals as Muslims and as humans. So, unlike taxes, fear is not the only motive to a zakah payer to encourage him to perform his duty, but also and predominantly, it is the knowledge that it is worship, seeking the pleasure of Allah SWT, and admitting that it is the right to the poor.

That can be supported by several studies (Brooks, 2004; Teah et al., 2014; Ugur, 2020) which proved by empirical evidence how religious beliefs encourage donation and charitable spending that can be used as a reference to Al-Zakah, although it is an obligation, which means it is actually more prioritized. Brooks (2004) introduced empirical evidence that religious people tend to give and donate more and more often than others, assuming that donors' knowledge of the effect of their giving socially and the effect of a religious donation in enlightening the receiver of it would increase giving. Also, Teah et al. (2014) referred to religious beliefs to strongly encourage donations. Lastly, Ugur (2020), proved that Muslims donate more during the month of Ramadan, and those who are relatively more religious anticipate its timing and increase their donations noticeably. As well, Jamal et al. (2019) added five main motives based on their empirical study for Muslims in the United Kingdom to donate based on Islam. These motives are seeking the hereafter's rewards, self-satisfaction, compatibility with charity, role-modeling, and lastly, avoiding guilt.

As well, other studies specific to Al-Zakah compliance behavior determined religiosity as one main factor that positively affects Muslims' zakah compliance behavior. Some of these studies determined those practicing Muslims who perform their obligatory and voluntary worship and also have high Islamic ethics and manners to be the most zakah compliant. Others added that religiosity includes believing in Allah's reward and punishment (M. Abdullah & Sapiei, 2018; Bin-Nashwan, Abdul-Jabbar, Aziz, & Sarea, 2020; Farouk et al., 2018; Idris et al., 2012).

Theoretically and practically, Al-Zakah is a two-dimensional pro-compliance system since it covers two important dimensions related to enforcement. The first is the connection of Al-Zakah to the divine order, worship, and the reward-consequence in a spiritual manner where God as the creator of this universe has already established his justice on earth when his religion is followed as supposed to be. So, following that order ensures the satisfaction and happiness of all. Additionally, as a Muslim's utility function doesn't only include his material well-being but also his spiritual one (Abdellatef, 2021), Al-Zakah would be maximizing his overall well-being and satisfaction. The second dimension is the legal enforcement of the state represented in the collection and distribution of Al-Zakah in an organized structured manner. It can be seen that taxes focus on the second only which makes it compared to Al-Zakah less efficient.

Expressing the need to have people's voluntary compliance, as a requirement to comply with taxes, such compliance will source from people's ethics, morals, and trust. In the case of Al-Zakah, that is fulfilled. It can be seen that such morality is obtained from the teachings and ethics of Islam. In the light of the prementioned, Islam as a religion has a considerable effect on people's decision to comply with Al-Zakah or taxes, asserting the effectiveness of relating religious morals and ethics to levying in general. So, people's perceptions about themselves that they are religious and good worshipers who obey God, encourage them to fulfill their duties as citizens too.

2.2.3 Impacts (Output)

Both Al-Zakah and taxes are similar in terms of being payments directed to the greater good of the state as detailed earlier. However, Al-Zakah includes socio-economic, spiritual, and ethical objectives, that are not included in a tax.

As for the socio-economic aspect, Al-Zakah mechanism represents a unique distributive tool of income and wealth, that has no such in the conventional mindset, not even taxes. Although both hold social justice and public welfare as ultimate objectives, the dynamics of the Al-Zakah mechanism vs. taxes, socio-economically, can be discussed as follows.

2.2.3.1 Al-Zakah, Consumption and Saving

Al-Zakah represents a focused-counter poverty tool that is independent of public revenues. It generates instant relief directly for those who are in poverty to maintain their livelihood sufficiency. These immediate payments would raise the poor's marginal propensity to consume which is already high compared to the rich. Consequently, it can be used as a demand stimulus in the economy. Moreover, by time and after attaining sufficiency, the poor can get a steady salary to form a type of work that they started, and those beneficiaries would attempt to save, increasing their propensity to save as well, assisting them in converting from being zakah beneficiaries into zakah payers. Additionally, From the side of Al-Zakah payers, unlike taxpayers, their propensity to consume wouldn't be affected much since Nisab already include their necessary funds for consumption, unlike taxes which don't take into consideration people's debts or consumption which are relative and different from one person to another. Moreover, Mannan (1989)[14] states that Al-Zakah's effect on consumption would also involve changing its composition towards more necessary goods instead of luxuries which increases the economy's and production's allocative efficiency. Moreover, Chowdhury (1983) as cited in (Al-Hasan, 2002) elaborates that since Al-Zakah is paid from savings, the anticipation of zakah payers that their income might not cover their spending, or that the return to investments and savings will decline invokes them to save for the future.

Yet, taxes don't hold such an attribute, since poverty assistance programs that exist in a country would be included in social assistance programs that are funded by taxes, and as

[14] Cited in (Al-Hasan, 2002)

one of the many expenditures of the government. Moreover, taxes, especially income taxes, represent a direct cut-off from the purchasing power of taxpayers, leading to a reduction in their propensities to consume and save.

2.2.3.2 Al-Zakah and Employment

In relation to the first point, using Al-Zakah funds to provide the poor with a machine or a tool that they need to work with, or transfer to them the ownership of ready-to-operate established projects with providing proper training so that they can earn and make a living on their own will create a new business or a workforce. This generated employment can be integrated into the output market, where eventually the poor will attain a decent level of living.

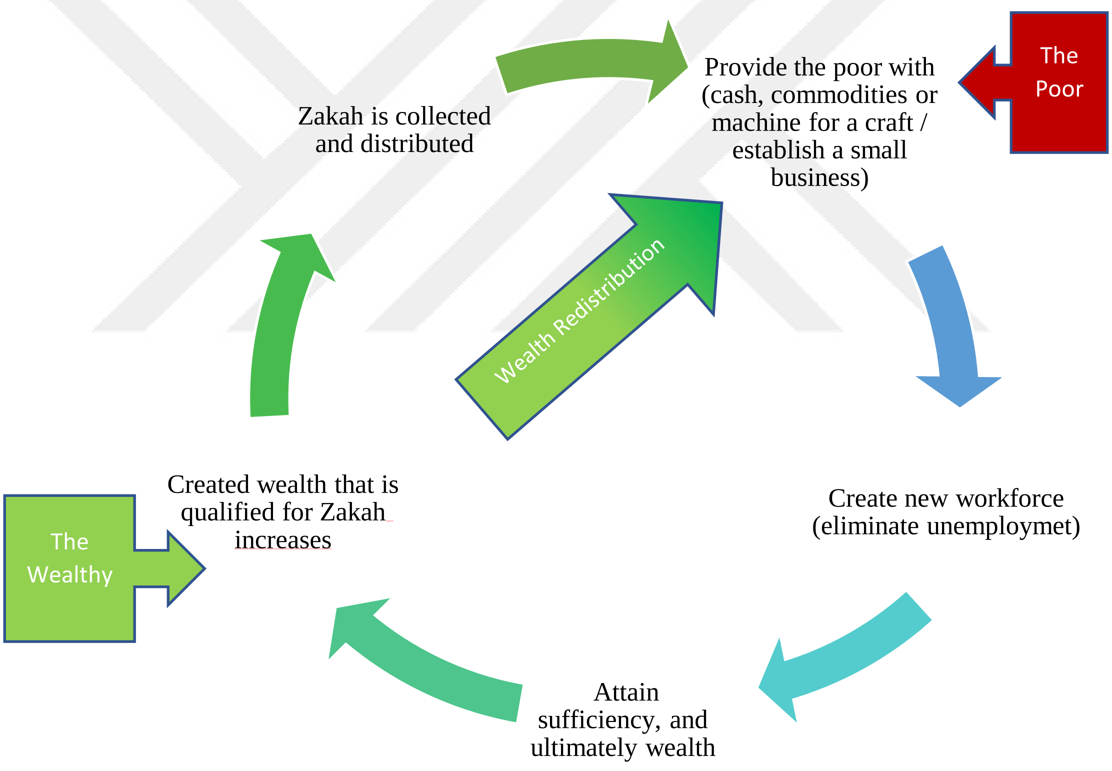


Figure 1: Al-Zakah mechanism in eliminating poverty, creating employment, and redistributing wealth. Source: Designed by the author.

Zaim (1993) clarified that zakah has a multiplier effect on employment and incomes which will benefit the poor and the whole economy through investing the funds of zakah. So, Al-Zakah will assist in transferring the poor who can work from low-income fractions of the society to higher ones in a productive manner instead of solely granting them direct transfers. Such application of Al-Zakah funds would encourage the poor to work, avoiding losing the incentive to work that result from receiving only direct means of help. That is supported by the hadith of Prophet Muhammad when he helped a young poor man to have an ax, then ordered him to work instead of asking people till he sought work by logging, and after 15 days he came with enough provision for himself and his family (Abi Dawud, 2009, Book: 9, Hadith: 1641). From another angle, the consumption of this new workforce will be producers' income and labor's wages, creating a sustained ongoing cycle of poverty reduction, employment creation, wealth redistribution, and ultimately economic growth.

2.2.3.3 Al-Zakah and Social Security

Some refer to the social security system (SSS) or programs funded by taxes as the conventional equivalent to Al-Zakah system, however, several points can be elaborated in favor of Al-Zakah as a system in terms of attaining social ends. Kahf & Yafai (2015) argue that the underlying mechanism of both systems has diversified objectives by nature even if both look like addressing the same problems. Firstly, they elaborate that SS programs are related to social stigma, since the original laws that were designed for supporting the poor were seen in classical literature as an intervention in the market system, not as a responsibility of the state, where the majority of these programs can be based on political or fiscal motives, not necessarily on a moral basis. Secondly, despite the existence of social assistance benefits that can be paid to the poor in some countries, it is discussed that SSSs comprehensively don't target poverty, rather, it is a tool for redistributing income from the young to the old, the employed people to the jobless, and from the healthy to the sick, where such redistribution doesn't imply circulating income from the rich to the poor. Thirdly, these systems are coordinated with the contributions of workers as paid from their salaries, so the social system's future and current benefits will be in accordance with income as high or low. That also implies the exclusion of the self-employed or informal workers from that system.

On the contrary, First, Al-Zakah is an independent self-sufficient institution, which has its revenues and expenditures as designed by Allah SWT, and it doesn't depend on the contributions of members or taxes. Second, Al-Zakah is a moral-based charitable system that aims essentially at improving the situation of the poor through the solidarity of all

Muslims to achieve the aggregate social interest. Third, it is a genuine redistributive tool, that stands based on need which includes taking those suffering from the lack of satisfactory living conditions, by a directed transfer of income and wealth to them. Lastly, Al-Zakah doesn't include any intentions of financial planning; it is a pure giving directed to its beneficiaries. They elaborate that despite the existence of SSSs in most countries now, poverty still sustains.

2.2.3.4 Al-Zakah, Hoarding and Investments

Al-Zakah succeeds in driving hoarders to circulate their wealth in the economy. Due to Al-Zakah being imposed on the growing or the productive part of assets and incomes, not the savings, assets, wealth, or capital itself, that would motivate them to invest it and earn possible gains to cover at least the amount of Al-Zakah on it without any declines in their original wealth. In other words, as described by Salman (2015), Al-Zakah is net worth or a deduction of production value, thus, it doesn’t hurt business cycles. Consequently, it has a stimulating not discouraging effect on investment, unlike taxes. As for taxes, same as seen by conventional and Islamic economists, including Ibn-Khaldun the oldest of all, they can negatively affect the incentive to investment and production, especially if high, which leads to high production costs. That has negative effects such as discouraging labor and effort, emigration to other cities with lower levies, and discouraging start-ups. All together would decrease the overall tax revenues, and eventually, economic growth. Padovano & Galli's (2001) across-section time-series analysis of 23 OECD countries between 1951 and 1990 proves that tax progressivity and high marginal tax rates affected long-run economic growth negatively.

2.2.3.5 Al-Zakah and Equity

As discussed before, horizontal equity is discarded in western economies’ taxation policies, while focusing only on vertical equity through the progressiveness of taxation. However, Al-Zakah fulfills horizontal equity. First, the poor or those below Nisab are exempted. Second, it is determined as a fixed flat rate where everyone is paying the same rate according to the zakatable item. Consequently, people in the same financial situation and wealth level pay the same percentage of their wealth, incomes, etc., thus horizontal equity is attained. That is supported by Mankiw et al. (2009), concluding that most optimal taxation studies considered a flat tax rate is close to optimality. On the other side, even if the rates of Al-Zakah on all zakatable items are fixed, the wealthier classes will pay more in terms of the amount from their net wealth than the less wealthy, and the least wealthy, so on. Therefore, Al-Zakah includes the effect of a progressive tax without being progressive. So implicitly it attains vertical equality too.

Khan (2001) discusses that progressive taxation is not an identified tool by the Islamic Shari'ah to eliminate income and wealth inequality, and vertical equity itself is not assured yet to be compatible with Shari'ah or not. Khan adds that prohibiting interest-earned income drives people to earn by labor or risk-sharing businesses, whereas the latter doesn't allow individuals to accumulate significant wealth compared to high rates of wealth accumulation in conventional economies that includes interest on capital. However, if it did, they must meet the zakah obligation and voluntary spending. Lastly, he argues that inequalities still persist worldwide although progressive taxation prevails. Woolard et al. (2015) deliberate that despite inequality reduction associated with applying a South African progressive taxation and a vastly progressive government spending funded by the rich, inequality remains significantly high. The authors conclude that additional fiscal redistribution policies are needed. Despite Khan's argument, it can be said that besides Al-Zakah, other taxes can be collected from the wealthier to cover the increasing expenditures when urgent. Thus, together with Al-Zakah, would contribute to the attainment of vertical equity.

2.2.3.6 Al-Zakah vs. Progressivity, Burden, and Stability

Unlike Al-Zakah which is distinguished by its stability as a system, the instability and the constantly changing nature of tax policies and schemes leave people in a state of temporal ambiguity since they don't know what kind of taxation that might be imposed or how their possible to-be-established projects will face government obligations or will be treated by the tax law, which would affect also the willingness of people to pursue productive activities and would discourage entrepreneurship.

Unlike progressive taxes of income, Al-Zakah has an expanded base since it includes incomes, assets, and most importantly, wealth. That would justify the continuous calls of conventional economists of establishing a wealth tax due to income and wealth inequalities detected worldwide, where some determined it to be between 2% and 3% and Piketty (2012) suggested it to be approximately 2.5%. The west in general discusses wealth taxes to be a discouraging tax in the context we explained before as other taxes, however, if wealth is accumulating with no deployment, our previous discussion about the mechanism of Al-Zakah can refute that. Moreover, the conventional scope of taxation focuses mostly on income, and other taxes are considered complementary. Al-Masri (2006) states the less adequacy of that since wealth is a stronger indicator of the real ability of payment than income.

Taxes are a burden that can be shifted from the taxpayer to the consumer or the producer, but Al-Zakah doesn’t include such a burden (Zaim, 1993). First, it is not perceived as a burden, but as purification and an enhancement to one’s belief and the communities’ cohesion. Second, Al-Zakah payments are only obligatory on its eligible payer as a right that has to be fulfilled, and it can’t be shifted to others. Since taxes such as consumption taxes or value-added taxes are imposed on the final product, it would be second-tear taxation that after income taxes, reducing the real income of all individuals together, and such taxes, with the limited resources of the poor already, definitely leaves them in a worse place. On the contrary, Al-Zakah is imposed only on the wealthy, to alleviate the poverty of the poor, so the obligation of Al-Zakah can’t be shifted to others.

2.2.3.7 Al-Zakah and Cost Efficiency

Al-Zakah system is more efficient in terms of cost. Specifying Al-Zakah officials as one of Al-Zakah's eight beneficiaries makes Al-Zakah a self-sufficient system. Since Al-Zakah officials get paid for their work from Al-Zakah proceeds, and their share is determined according to their effort as scholars state, it can be an incentive for them to work harder for the overall welfare of the poor or for their own too. Such a trait is not completely open where zakah officials work for increasing their share since it has been determined by scholars such as Al-Shafie that zakah officials’ share can be up to 1/8 of the collected zakah, with the prohibition of receiving gifts from zakah payers (Al-Qardawi, 2000b). Additionally, the distribution of Al-Zakah in the same city or village first after collection, as mentioned before, saves extra costs that are usually borne in a conventional tax system for planning, collection, and reallocation of funds. Therefore, such cost savings can be directed to other channels of supporting the poor.

2.2.3.8 Al-Zakah, Equality and Poverty Eradication

Considering all previously mentioned results, poverty would be eradicated and the intended wealth distribution by Allah SWT would be attained. Several studies discussed the potential effectiveness of Al-Zakah institution in practice based on empirical evidence. Al-Qaradawi (2000) referred to the two successful applications of efficient enforced zakah management during the caliphate of Omar Ibn Al-Khattab and Omar Ibn Abdulaziz, where poverty was eradicated in two years.

Powell (2010) developed a set of data that enabled him to certify a positive relationship between the institutionalization of Al-Zakah and both wealth (indicated to zakah to GDP ratio) and economic equality (as reflected by the GINI coefficient), meaning that Muslim countries that have a zakah institution (with no specific advantage to be obligatory over voluntary), whether on a mandatory or voluntary basis, have higher wealth and equality.

Shaikh (2015) introduced an empirical analysis to study the possible impact of Al-Zakah on poverty in 17 OIC countries. Using his computations of GDP to zakah ratio, poverty gap index to GDP and poverty rate to GDP are defined at two poverty lines at 1.25$ and 2$. He determined that if Al-Zakah was collected and distributed efficiently in most countries of his sample, the poverty gap can be covered from the first round of collection, pointing at the importance of sustaining the financial support for the poor, giving them access to education, and health care till they reach the non-poor status. Moreover, due to the small alteration in Al-Zakah approximations for those counties between 2008 and 2013, Al-Zakah represents a stable revenue source that can directly finance welfare purposes, such as funding public education and health institutions. Lastly, he referred to the potential of the aggregate zakah collection of OIC countries, suggesting the transfer of excess zakah proceeds from surplus to deficit areas.

Mohsen (2020) added that the counter socio-financial role of Al-Zakah aids with eradicating poverty and excessive external borrowing that is substantially increasing in Muslim countries to fund its poverty programs. Also, she emphasized the role of Zakat-Al-Fitr as an instant relief that can reach millions of dollars if made compulsory.

2.2.3.9 Al-Zakah and Spirituality

Spiritually and ethically, Al-Zakah aspires to several deeper values that are not involved in taxes. Being an act of worship and a financial obligation at the same time, Muslims has to show full compliance to it. One can postulate that relating Al-Zakah, as a levy, to Allah's order handles several issues related to taking money out of individuals' pockets. First, in Islam, wealth that is given to people is originally owned by Allah and people are trust keepers on it as Allah's vicegerents on earth. So, it is an act of worship and a right of the poor in the wealth of the rich. Secondly, Muslims who are in the end human beings, created with the love of wealth, but they pay Al-Zakah knowing that their wealth shall be purified and blessed by the promise of God and also confessing their gratitude for what was bestowed upon them. Third, Al-Zakah makes Muslims bear an ethical responsibility towards the less advantaged groups of the society, in support of the atmosphere of brotherhood and cooperation. Eventually, Allah's obedience is attained, and the basis of equity and fairness for the whole society is founded.

Still, taxes are burdens, that are usually met with non-compliance, avoidance, and reluctance, where people try to transfer that burden to others aiming at their interest. Moreover, despite the possible usage of tax proceeds to pay transfers to the poor, it is not the center focus of a tax, unlike Al-Zakah which is centered around aiding those in poverty or difficult financial situations. Therefore, it is parted from the spiritual aspect. Additionally, taxes' ethical aspect is relative to people's perceptions, morals, and beliefs. Western economists are even now calling for developing taxes as a social tool based on that supporting cooperation, where Islam propounded such ethical establishments a long time ago.

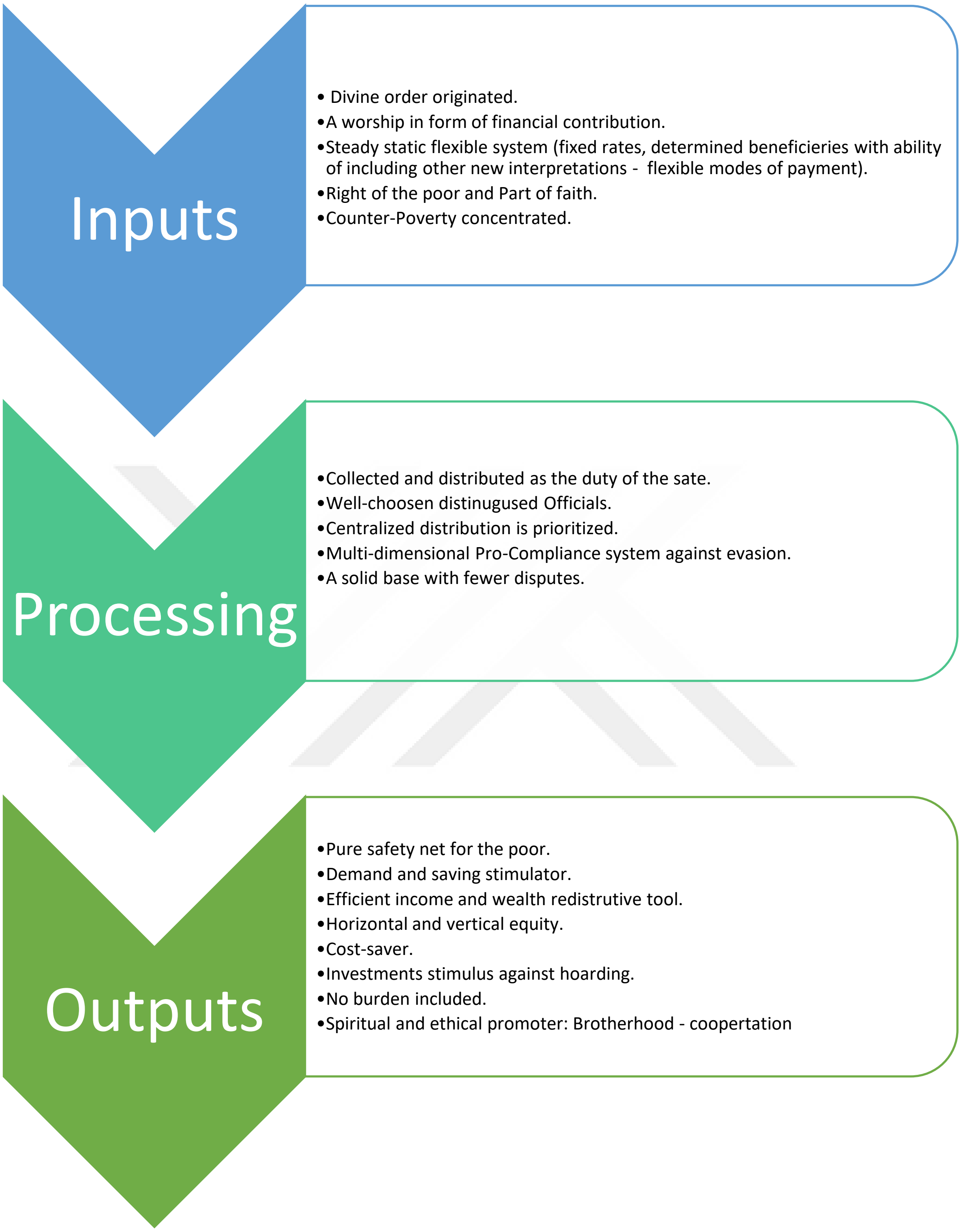


Figure 2: Al-Zakah System's Input-Processing-Output Model.
Source: Prepared by the Author.

To sum up, Al-Zakah is a unique concept that cannot be parted from either its material or spiritual dimension. Al-Zakah and all its related elements have been prescribed by God. Consequently, it cannot be called a tax as that takes it to the pure concept of a regular tax, separating it from its most distinguished spiritual and moral aspects. Joining the two concepts together to be compatible with that spiritual aspect, one can postulate that Al-Zakah is worship that takes the form of an obligatory financial contribution from Muslims' wealth to fund the needs of the less privileged in the society. It has to be noted that Al-Zakah as an obligation represents an expression of faith that sources from a moral commitment to society. By fulfilling this worship, everyone shall be better off.

Although taxes and Al-Zakah have common attributes, the differences are crucial to be distinguished to illuminate the importance of having Al-Zakah, as an obligation and an indispensable institutional component of an Islamic economic system and society, even if other taxes were imposed.

CHAPTER THREE: RECENT IMPLEMENTATION CHALLENGES RELATED TO AL-ZAKAH: EVIDENCE FROM TURKEY

In recent years, several Muslim countries endeavored to form individual units that are specialized in collecting and distributing Al-Zakah, putting more emphasis on the importance of Al-Zakah, especially in alleviating poverty. The modern existence of zakah institutions in Muslim countries ranges from countries that have established government institutions for Al-Zakah as an obligation, or other that regulate their zakah by specialized institutions that receive and distribute Al-Zakah voluntarily. When both institutions do not exist, Al-Zakah collection and distribution would be left entirely to Muslim’s own efforts consciousness, and discretion. Hasan (2015) surveyed zakah applications in 47 Muslim-majority countries. Amongst these 47 MMCs, Libya, Malaysia, Pakistan, Saudi Arabia, Sudan, and Yemen have obligatory zakah collection side by side with their tax systems. These countries’ constitutions also include laws either about Al-Zakah collection or management. Additionally, Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, and the United Arab Emirates. have formally regulated institutions that collect Al-Zakah on a voluntary basis. Also, 23 countries (Afghanistan, Algeria, Azerbaijan, Burkina Faso, Chard, Iraq, Kazakhstan, Mali, Mauritania, Morocco, Niger, Nigeria, Oman, Qatar, Senegal, Sierra Leone, Somalia, Syria, Tajikistan, Tunisia, Turkey) of the 47 MMCs have an informal system for zakah, where zakah payers choose recipients of Al-Zakah and pay it directly to them, or to local informal zakah funds, charities, and local masjids. However, in some countries of these 23, as in Oman and Nigeria, ministries of religious affairs or Islamic councils administer them. Minor (2014) reported the existence of voluntary zakah funds in two more MMCs and they are Kyrgyzstan and the Maldives, making the third category include 25 MMCs instead of 23 countries.

In this context, the establishment of the UNCHR refugee zakah fund is worth mentioning. As of 2019, the UNCHR publicly announced the establishment of a zakah fund that aims at utilizing Al-Zakah in support of its humanitarian expenditure, asserting the Shari’ah compliance and the reliability of zakah collection and distribution as per Islamic distinguished fatwas by Islamic scholars and institutions. The fund aims at attaining sustainable development goals for refugees all over the world, and so far, the UNCHR reports show a promising development of zakah collection and distribution through the fund.

UNCHR declared that it has collected a total of 38.1 million US dollars in the first half of 2019 after identifying itself as a sharia-compliant trusted zakah fund. Those collections exceeded the original target of 26 million US dollars. That led to the raising of the UNCHR zakah fund's target to 40 million US dollars, with extra efforts also to robust voluntary charity (Sadaqah). The zakah fund is ensured to distribute Al-Zakah through a 100% successful policy built upon the fatwa requirements. It was referred to the benefits of the media coverage and partnership with one of the chief Islamic T.V. channels, Channel "Iqraa" (UNHCR, 2019b).

Taking a look at the previous zakah collection of the UNCHR that was informal, it can be noticed that it is much lower than it is after establishing its refugee zakah fund. Between 2016 and 2018, zakah's fundraising was 260 thousand, 2.6 million, and 11.9 million US dollars. Jumping to 38.1 million US dollars after its public launching is a significant jump that can be credited to the establishment of a zakah fund with accredited Fatwas from several reliable official Islamic Fiqh councils, Fatwa institutions, academies, and foundations in Saudi Arabia, Egypt, Malaysia. The UAE and Canada. The fact that UNCHR, as one of the most distinguished organizations in the humanitarian field, realizes the fact that Al-Zakah is significant and can be a resource for ongoing funds that are specified to help those in need, needs more contemplation. It is quite clear that tangible benefits can be attained by taking the opportunity to collect zakah funds in an institutionalized efficient manner. That can be a remarkable example of the possibility of raising tremendous funds by organizing Al-Zakah in a reliable institutional form. In addition, including a zakah fund in the UN institutional structure that includes high-quality management, reporting, publication, and assessments all show a high potential that the UNCHR refugee zakah fund will continue to collect rising amounts of zakah.

In its 2020 Islamic philanthropy annual report, the UNCHR reported the collection and distribution of 43.165 million US dollars, representing 12% of the UNCHR's expenditures in 2019, which was distributed to 1,025,014 beneficiaries in eight countries.

It also declared the collection of 222,907 US dollars as voluntary charity. The UAE was the highest contributor to 2019's collected zakah funds with 41.7% (UNHCR, 2020).

In the 2021 Islamic philanthropy annual report, the UNCHR declared that it had collected 48,580 million US dollars in 2020, representing 20% of UNCHR's zakah-compliant expenditures. As well, 12.92 million US dollars were collected as voluntary charity. Finally, in 2021, the UNCHR managed to collect 23.6 million US dollars as zakah and 11.7 million US dollars as Sadaqah, where both contributed to helping 1,283,963 beneficiaries in 14 countries (UNHCR, 2021). As well, in the 2022 report, the UNCHR announced the inclusion of four more fatwas that support its zakah fund and increased its partnerships to include the United Kingdom, Qatar, Indonesia, Nigeria, Singapore, Bahrain, Kuwait, and Australia. Also, the UNCHR added the Dhul-Hijjah campaign in addition to its winter and Ramadan campaigns to propagate for zakah and Sadaqah collection (UNCHR, 2022).

Amounts in Million US dollars /Year	2016	2017	2018	2019	2020	2021
Zakah	.26	2.650	11.874	43.165	48.580	23.6
Volutary Charity (Sadaqah & Sadaqah Jariyah)	N/A	N/A	N/A	.2229	12.92	11.7

Table 1. UNCHR collected zakah and sadaqah between 2018-2021.
Source: UNCHR Annual zakah Reports.

As well, The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) entered into an agreement with the National Board of Zakat for the Republic of Indonesia (BAZNAS) in 2018. By this agreement, BAZNAS donated 150,000 US dollars which were followed by a second grant, to support both, the Talbieh school for primary education and the UNRWA's health centers in the Talbieh camps in Jordon. That partnership greatly supported the UNRWA, especially at the time of the financial crisis (UNRWA, 2018).

Despite the establishment of zakah institutions and funds in Muslim countries, and despite the rich literature on the impactful role Al-Zakah can play in attaining socio-economic goals, especially poverty alleviation, elaborations on the short falling of existing collection of Al-Zakah are rising. Most of these studies examined the potential estimation of Al-Zakah in Muslim countries, whereas others added real estimations and compared them to the potential ones.

Khaf (1989) estimated the potential zakah proceeds for eight Muslim countries[15], defining zakatable items in three different methods where the first is according to classical Fiqh, the second is according to the contemporary view of Al-Qaradawi[16], and the third is according to a modified zakah calculation of Al-Qaradawi's view[17]. He concluded that the estimation of Al-Zakah doesn’t exceed 1% to 2% of GDP using method 1, 1.7% to 6.3% using method 2, and between 2% and 7.5% using method 3. The average zakah to GDP percentages among those 8 countries is 1.8% using method 1, 3.85% using method 2, and 4.34% using method 3. He concluded that Al-Zakah proceeds should include the new forms and sources of wealth and income, then zakah proceeds will be considerable. Kahf added two other estimations by Muqbil Zuqair for Saudi Arabia at 2.7% of GDP, and by Fuad Al-Omar for Kuwait at 2.1% of GDP. However, as for the actual implementation, Kahf (1999) states that according to statistical yearbooks of 4 countries (Pakistan, Saudi Arabia, Sudan, and Yemen) that have an obligatory system of Al-Zakah, the actual zakah collection is between 0.4% and 0.5% of GDP Muslim countries over time, which is much less than the calculated relatively attainable potentials.

M. F. Khan (2007) referred to a study conducted in the 1980s on the ratio of zakah to GDP based on the UN statistics of 18 countries, 8 oil-producing and 10 non-oil producing. The results of this study determined the potential collections of Al-Zakah can range between (10 to 14) % in oil-producing countries, while non-producing countries can collect zakah up to (3.5-7) % of their GDP.

Ahmed (2004) conducted a cross-country analysis for 24 IsDB countries by identifying two international poverty lines, 1$ per day and 2$ per day. The author calculated and then

[15] Egypt, Indonesia, Pakistan, Qatar, Saudi Arabia, Sudan, Syria and Turkey.
[16] where 2.5% Zakah on salaries, 10% on net returns of fixed assets.
[17] Similar to the second estimation but with 5% on fixed assets and their net returns together.

compared the required funds and resources to cover poverty expenses with the potential zakah collections for these countries per annum based on Kahf's three methods of calculating potential zakah. It was found that only 8 countries, within a year, are able to elevate the poor's situation (at 1$/day) above the poverty line at a 1.8% zakah to GDP ratio, whereas 16 countries fail. The author stated that if the alternative zakah calculation is utilized zakah to GDP ratio raised to 4.3%, and about half of the 24 sample countries would be able to cover all the poor at the first poverty line of 1$/day. He concluded that comparing the actual collections of Al-Zakah with potential ones is very small and discouraging.

As well, Shirazi & Amin (2010) calculated funds required to eliminate poverty and potential zakah collections, using Kahfs' calculations, for 38 OIC countries. Also, the poverty gap index was identified based on the world bank's indicators at 1.25$ and 2$ per day. The authors found a shortage in aggregate resources on average of 1.53 to 5.20% of GDP in all countries of study for the poor under both poverty lines. They reported that the estimated zakah collection using the three methods are 1.55, 3.44, and 4.3% of GDP which is more than enough to cover the needed fund to eliminate extreme poverty (under 1$/day) but isn't enough to cover the other poverty group defined at 2$/day. The authors refer to the lack of data on rich Muslim countries which can possess surpluses of zakah funds that can be internationalized and converted to deficit countries.

It has been reported by a common study conducted by the World Bank (WB) and the Islamic Development Bank (IsDB) that the potential estimation for the zakah funds ranges between 550 to 600 billion US dollars yearly, from which only 10 to 15 billion US dollars were collected by zakah Institutions worldwide (Widadio, 2019).

Moreover, the UNCHR states that zakah collections are falling below their potential, from estimations of 356 billion US dollars to 76$ billion of actual overall zakah giving in 2018. UNCHR assured that 10% of zakah collections would be enough to cover its 2019 humanitarian budget of 21.9 billion US dollars. As well, around 75% of zakah is paid and distributed in an informal way from payers to beneficiaries (UNHCR, 2019a).

3.1 AL-ZAKAH COLLECTION POSSIBLE IMPLEMENTATION ISSUES

In the context of recent applications of Al-Zakah, several important issues can be referred to as possible reasons for the short falling of Al-Zakah funds under its high potential as follows.

3.1.1 Lack of Enforcement and Inefficient Management

The lack of zakah enforcement in the majority of Muslim countries by governments led to making its payment left to the discretion of its payer, thus depriving the society of many funds that originally belong to it. Moreover, Al-Zakah Law enforcement is criticized for not being at the same level as taxes. For instance, Barizah et al. (2007) elaborate that Al-Zakah is managed by the official state religious councils in each Malaysian state while the federal government can only coordinate zakah-related processes between states and does not intervene in zakah-related or religious matters in general. As well, government institutions such as the department of Islamic development and the department of Al-Zakah, Waqf, and Haj have also advisory or limited roles regarding zakah monitoring. Authors conclude that state governments are less reliable compared with a federal government's potential enforcement. However, having low state law enforcement and no federal one is a situation that led Al-Zakah to convert into a voluntary system. Additionally, Khamis & Yahya (2015) verify by empirical evidence that law enforcement is one main determinant of Malaysian businesses' compliance with Al-Zakah payment.

Bin-Nashwan et al. (2020) discuss assigning the collection and planning of Al-Zakah in Yemen to the General Directorates of Zakah Obligations (GDZO), a subsidiary institution, in place of the independent institution of A-Zakah authority, as the main cause for zakah mismanagement in Yemen. Moreover, the Law of Al-Zakah witnessed alterations that affect the role of the state in Al-Zakah collection and distribution, thus, the zakah administration lacks governmental support. Additionally, Al-Zakah law in Yemen is complex that zakah payers meet difficulties in understanding the law and that could be reflected in their payments' misdirection. For these reasons, the gap between the real and potential zakah proceeds collected by Al-Zakah institution is proved to be significant in Yemen for 6 years in a row starting from 2011. Moreover, the authors indicated that zakah management in Yemen is not transparent enough, with criticism of zakah funds misusage. As well, GDZO is short of efficient experts and staff members who are able to run Al-Zakah activities.

Sari et al. (2013) pointed out the enforcement issues of Al-Zakah institution in Indonesia that hinders the collection of its potential proceeds to the point that real collection represented only 6% of the potential calculations. First, the overlap between the zakah collection and distribution's regulation, coordination, and monitoring between the governmental and non-governmental zakah institutions in Indonesia from one side, and the community from the other side. Second, despite identifying zakah payment as mandatory in Indonesia, there are no actions to enforce or penalize zakah payers to fulfill that obligation. The authors assert the importance of enforcing zakah collection by well-defined laws and penalties for defaulters, which is a government responsibility.

Farouk et al. (2017) discussed that colonialism dug the roots of laicism in Nigeria, aiming at eliminating religious affairs away from the government, where all Islamic practices would be private mattes of citizens. However, Al-Zakah continued to be paid voluntarily, and when Al-Zakah institution was introduced again in some states, it was informal. Besides, the authors highlighted the incompetence of the management of zakah commissions in Kano state - Nigeria due to unqualified staff and the lack of expertise at the managerial level[18]. Moreover, Normal zakah payers show a willingness to fulfill their zakah duty. However, it is left to their efforts to calculate, evaluate, and determine recipients which are tasks they are not qualified for and that can delay their paying. Consequently, operating an inefficient zakah system away from the government, with no unified zakah laws made the recreation of that zakah system in 2003 achieve little progress. As well, zakah payers' number and wealth base have also declined.

In the light of the aforementioned, having an organized governmental body that is responsible for the collection and distribution of Al-Zakah is a must for ensuring the smoothness and efficiency of Al-Zakah institution. Neither the collection nor distribution of Al-Zakah should be upon individuals' efforts since that would make Al-Zakah related to the relative differences between people in commitment on how they interpret the

[18] Ahmad (2019) referred to the same situation in Northern Nigeria.

calculation and distribution of their zakah payments. Moreover, Al-Qardawi (2000) those with no conscience who refuse to attempt to evade Al-Zakah should meet a strongly enforced system to make them pay their obligations.

Powell (2010) discusses that the official voluntary system can have a comparative advantage compared with compulsory ones. Showing more tolerance or support from the government towards zakah payers till it is perceived as fair, equitable, and efficient can grant Al-Zakah system a higher degree of lawfulness. People perceiving systems as fair and introducing consistent justifications with community standards affect positively compliance behavior and prevent people from performing any unethical behavior (Schweitzer & Gibson, 2008). Moreover, enforced systems might foster zakah avoidance. Aazim (2002) reported that Pakistani zakah payers used to withdraw their deposits on Ramadan’s first night before Al-Zakah is deducted automatically by the state, reporting it to be deposited back after some weeks. As well, Hassan (2007) referred that Al-Zakah participation in 2006 in Indonesia (94%) and Egypt (89%) with formal voluntary systems is higher than it is in Pakistan (60%) which has a mandatory system. Wahab & Rahman (2011) suggested as well privatizing zakah institutions. Since private institutions, in general, adopt corporate management principles, the same will be applicable to zakah institutions which would enhance their managerial performance.

Considering the past discussions, one can conclude that Muslim countries have to put together gradual measures to reintroduce Al-Zakah as an official system once again in countries where A-Zakah is not institutionalized, along with a well-established zakah law that organizes all affairs related to Al-Zakah collection and distribution under it. Second, Al-Zakah can be collected on a voluntary basis as an initiative to collect and distribute Al-Zakah in a well-managed, organized, and efficient manner. That can be a proper solution especially since most Muslim countries now are living under constitutions that have been formed on basis of secularism, or on Islamic Shariah that is enforced only in personal status, family, and inheritance laws. Following that preparatory step, Muslim governments can enforce it as an obligation gradually. In this case, those new zakah institutions will be able to build up their credibility and the public would also build trust on solid grounds. Thus, its enforcement later won’t be much problematic. Higher public awareness as well is required with the proposed gradual enforcement and that would be discussed next. As for countries that already have obligatory zakah systems, they have to reconsider their structures, policies, hired officials and staff, and disclosure by performing required alterations for building high-performance and efficient zakah institutions.

3.1.2 Duplication of Duty

The second issue is the duplication problem where Muslims have to pay both, taxes and zakah. As argued in chapter one, theoretically, Muslim countries are required to impose Al-Zakah first, then impose taxes as their alternative resort when revenues fall short to fund public expenditure. However, taxation is a prevailing resource of government revenue in the present time due to many reasons as explained before. Many studies shed the light on that duplication problem where zakah payers feel overburdened that they are required to pay both zakah and taxes. That's why tax rebates are an attainable solution to this problem. Meaning that Muslims who pay their zakah can acquire a rebate on the imposed income taxes on them. Tax rebates are used by several Muslim countries such as Indonesia, Pakistan, Sudan, Malaysia, Kuwait, and Saudi Arabia, following several methods of calculating that rebate.

Obaidullah (2016) discusses that to stimulate zakah payment, in the prevailing situation of having duplicate zakah and taxation systems, should be by tackling taxation policies. That can be achieved by tax rebates or benefits to zakah payers. Emphasizing Muslim businesses, the author refers to the importance of establishing these tax rebates or benefits on precise components of businesses' balance sheets or income statements. In the Malaysian case, evidence favoring such practice and its positive effect on encouraging businesses to pay their zakah due.

Individual Muslim zakah payers also positively perceive the tax rebates system, where the latter induces their intention to pay their zakah (Muhammad & Shahira, 2021). As well, Powell (2010) asserts the effectiveness of tax deductions for zakah payers in encouraging zakah payers to take part in the official system. That is because introducing a zakah system with the existence of a well-established relatively old tax system creates competition between the two systems, leaving payers in worry with which to comply.

Some studies referred to the need to change how these rebates are calculated to have a significant effect on encouraging zakah payers. Sari et al. (2013) discuss that tax rebates in Indonesia are very minimal since it is only rebated from the total taxable income. It was also referred that tax credit systems are more developed than zakah rebate systems, thus rebates calculation has to be reconsidered. The same was discussed in Malaysia. Tax exemptions for zakah payments were characterized to be very small, especially for corporates. Even after tax rebates were improved in Malaysia, zakah payments remain low. (Barizah et al., 2007; Saad & Haniffa, 2014).

Certainly, that can have composite factors affecting zakah payment in general, however, Tax rebates and benefits should be well designed to represent a noticeable deduction from the total tax dues of individuals and businesses.

3.1.3 Lack of Trust

Zakah payers raise questions or worries about the performance, integrity, and efficiency of zakah institutions concerning how they collect and distribute zakah funds to its beneficiaries. If these worries are not met by high performance and disclosure, zakah payers might reconsider paying their zakah to institutions. That has been discussed by several studies in Muslim countries.

Sari et al. (2013) referred that the community does not have enough trust that zakah institutions are distributing Al-Zakah properly to deserving beneficiaries. Moreover, due to the zakah payer’s low trust and knowledge of zakah management, around 80% of businesses owned by Muslims don’t pay Al-Zakah. As well, Ghani et al., (2018) show through empirical evidence that people’s remarks on zakah institutions’ boards of management affect their trust in these institutions. Thus, zakah institutions must enhance the zakah payer’s trust in their activities through transparency, disclosure, and the hiring of reputable board members. Moreover, Mustafa et al. (2013) also discuss that trust is generated when zakah institutions are seen to have a credible board, efficient decision-making management, and fairness amongst stakeholders is attained. Ahmad (2019) discusses that zakah institutions in Northern Nigeria couldn’t attain their prevailing objectives due to the lack of trust in zakah institutions there.

Therefore, zakah institutions have to exert all efforts to ensure that zakah payers have the proper perception of their transparency and reputation concerning their activities of zakah collection and distribution. Attaining professionalism will contribute to the increase of trust in zakah institutions. Powell (2010) discusses that having a zakah institution, that is governmental or semi-governmental, transparent by submitting activity disclosures, audited, and cost-efficient can positively induce the trust of zakah payers in Al-Zakah institutions and agencies. Sawmar & Mohammed (2021) propose a four- dimension governance model that includes efficient leadership, transparency, disclosure, and procedural justice (fair assessment, procedures, and distribution of Al-Zakah), where trust is fostered by moderating all these components. Finally, Compliance is acquired.

3.1.4 Lack of Awareness

Raising awareness about the socio-economic and also spiritual importance of Al-Zakah, as was clarified in detail in the last chapter, would positively affect how Muslims perceive Al-Zakah as a religious duty and as the right of the poor. Enhancing the level of Muslims' piety will encourage zakah payment. Moreover, Muslims have to be educated about the responsibility of maintaining zakah giving to ensure an effective solution to many problems such as poverty and to keep society at a better moral level.

In recent times, lack of awareness and proper religious education is a reason for not having a proper zakah collection in Muslim countries. Sari et al. (2013) discussed that many Muslims in Indonesia don't know that Al-Zakah is an obligation, whereas some are voluntary, and it is a donation-like act. Moreover, Some Muslims are reluctant to learn or understand about Al-Zakah's obligation. Lack of awareness was identified to be one of the main reasons why Malaysians don't pay Al-Zakah (Saad & Al Foori, 2020).

Subsequently, creating religious and economic awareness amongst Muslims to boost Al-Zakah collection is required and would facilitate its collection from the privileged rich. Saad & Haniffa (2014) state that zakah institutions must increase their promotional campaigns that inform and educate zakah payers about Al-Zakah and the importance of fulfilling it as an obligation. As well, having active communication channels among zakah payers and officials on regular basis can contribute to increasing zakah payers' awareness and build-up, and motivate their intentions to pay.

After creating such awareness, zakah institutions should maintain that effort continuously. One can suggest that zakah institutions can notify potential or existing zakah payers about their zakah dues. That can involve participation banks sending notifications to their clients whose zakatable accounts are eligible for zakah and have pending zakah dues.

3.1.5 Lack of Documentation and Information About Zakatable Wealth

One of the main implementation issues of Al-Zakah is the shortage of data documented concerning Al-Zakah collection and distribution. Mainly that might return to several reasons related to the relative inefficient management of zakah institutions. First, despite the establishment of zakah institutions or funds in Muslim countries as mentioned, zakah data is not available for all years or not at all. Mohsen (2020) indicated the existence of Al-Zakah collection and distribution data deficit while trying to collect data manually from official websites of zakah institutions of some Muslim countries including countries that have government zakah institutions. Moreover, Kahf (1999) also referred to the low reliability and independence of developing countries' national statistics. That might lead to the overestimation of the zakah to GDP calculations. As well estimating Al-Zakah theoretically doesn't take into consideration zakah evasion and inefficient administration which has negative impacts on zakah collection. Thus, Kahf recommends the revision of theoretical analysis to be closer to real-life zakah implementation and that needs more reliable data.

Second, there is a lack in having standard definitions of zakatable assets or outputs that are recognized inside one country, apart from Nigeria and Sudan, or worldwide among Muslim countries. That returns to the differentiation in Islamic schools of thought upon which a country establishes its general Shariah rules. However, The Laws of Al-Zakah in a country should be flexible to accept alternative interpretations and Shariah scholastic derivations. The fact that Nigeria and Sudan have distinct zakah Law that determines zakatable items and methods of estimation, is believed to have facilitated the enforcement and stability of their zakah systems. In voluntary systems, zakah payers consult with zakah institutions on calculating their zakah, thus, it would change from one institution to the other according to their adopted Islamic legal interpretation of zakatable wealth definition (Islamic Research and Training Institute, 2015).

Ibrahim & Amir (2015) recommend the documentation of all aspects related to Al-Zakah collection and distribution. That includes all data related to zakah payers, recipients, and their financial status, components of zakah collected, with executing a regular verification and update on these data to have an efficient collection and deployments of zakah funds.

For these reasons, zakah institutions should be exerting efforts to efficiently document their zakah collection and distribution to have better insights into their performance, locations of zakah surplus and deficit, and solutions to have a better functioning of zakah affairs. As well, such zakah data will facilitate the execution of several studies about zakah that would add up to the scientific research on Al-Zakah.

It has to be taken into consideration also that the informal economy is not included in zakah's estimation. Meaning that people who choose to pay their zakah on their own, without paying it to an institution, won't be included in the national estimation. That is another reason for having overestimations for zakah's collections. However, proper trust and credibility of zakah institutions would help those people to trust to give their zakah to institutions to distribute.

3.1.6 Zakah Calculation and Accounting

Zakah calculation and accounting require a special type of knowledge and techniques, and it is related to specific legal rules that have to be followed. However, such calculation or estimation may vary according to the utilized fiqh interpretation. As well, zakah calculation requires a set of accounting techniques and records that differs from the conventional accounting ones. Therefore, the lack of a unified base for zakah calculation and accounting can create incoherence in it.

Ibrahim & Amir (2015) reported the existence of inconsistencies in calculating, accounting, and auditing Al-Zakah collection and distribution which hampers zakah payment to Nigerian institutions. That should be addressed by hiring reputable and efficient administrators and accountants. As well, reminders and preaches on the importance of being pious and honest should be directed to zakah employees periodically. Additionally, Bin-Nashwan et al. (2020) state that Muslim countries should provide zakah payers with a platform through which Al-Zakah can be coordinated by a clear set of zakah laws and accounting standards.

Thus, zakah accounting Standards are a significant initiative to unify and harmonize the practices related to zakah collection and distribution in Muslim countries. Obaidullah

(2016) mentioned four important accounting standards that are specified for corporates and Islamic financial institutions. These standards are FAS 9 by AAOFI, FRS i-1 and TR i-1 by MASB, and AS-013 by SOCPA. Some discussed that existing standards such as the AAOFI standards should be mandated for Islamic financial institutions with the support of Muslim governments (Sarea & Hanefah, 2013).

However, in the present time, these standards are only introduced as guidelines to zakah institutions' activities while following them is voluntary. For instance, Hassan et al. (2019) report that AAOFI standards are not uniform standards that are followed in Muslim countries, except Malaysia and Indonesia as countries, and IsDB as an institution approved the AAOFI Standards as their national reference to Shariah rulings.

One can postulate that consistency and efficiency gains are expected to be attained if zakah institutions adopt standardized regulations for their zakah accounting and calculation. Consequently, it is recommended that zakah institutions would follow unified accounting standards or develop their own zakah accounting standards, to be unified at a country level. Afterward, good governance has to be pursued to ensure the proper application of these standards in zakah collection, distribution, reporting, and all other zakah-related affairs.

3.1.7 Exclusion of New Types of Possible Zakatable Items

Wealth resources are expanding and are in constant change from time to time. However, Muslim countries show low flexibility in changing their zakah bases in relation to the continuously changing Islamic finance products that can be zakah eligible.

Farouk et al. (2017) pointed at the unclear governmental definition of zakatable wealth in Nigeria, with no consideration to the changing nature and innovations in businesses that can create new types of wealth that needs inclusion in Al-Zakah. Additionally, current board members of zakah institutions are sophisticated in terms of Islamic literature, but they are not open to modern applications of Al-Zakah. As well, using estimation methods of Al-Zakah by Kahf (1999) indicates the same tendency of Muslim countries of being slow in identifying new wealth resources as zakatable which results in lower estimations and collections using traditional methods. Bin Nashwan et al. (2020) also mentioned the importance of having research institutions specialized in zakah studies. The authors added that there is no institute for zakah research in Yemen, pointing out the outdated accounting curriculums that discard zakah accounting in public universities. Thus, zakah in Yemen is not collected optimally.

Therefore, scholars' reasoning has to be flexible with these changes by identifying new wealth resources as zakah eligible and including them in the zakah base. That should be supported by specialized studies that put guidelines for altering the zakah base according to the constant appearance of new types of wealth, which is a managerial function of a successful zakah institution. The Islamic Research and Training Institute (2015) recommends that zakah agencies must acquire the ability to alter the zakatable items' list and zakah estimation methods and conditions periodically. The latter is not supported explicitly by the law of Al-Zakah in Muslim countries; thus, it needs to be considered.

In conclusion, as Al-Zakah theoretically is a two-dimensional pro-compliance system, to establish and operate a real-life practically successful zakah institution, and to strengthen people's incentives to comply and pay Al-Zakah it has to target the same two dimensions. First, materially that can be achieved by having proper enforcement, managerial efficiency, and good governance. Second, to tackle the spiritual aspect, spreading awareness amongst Muslims and educating them religiously will deliver to them the significance of Al-Zakah.

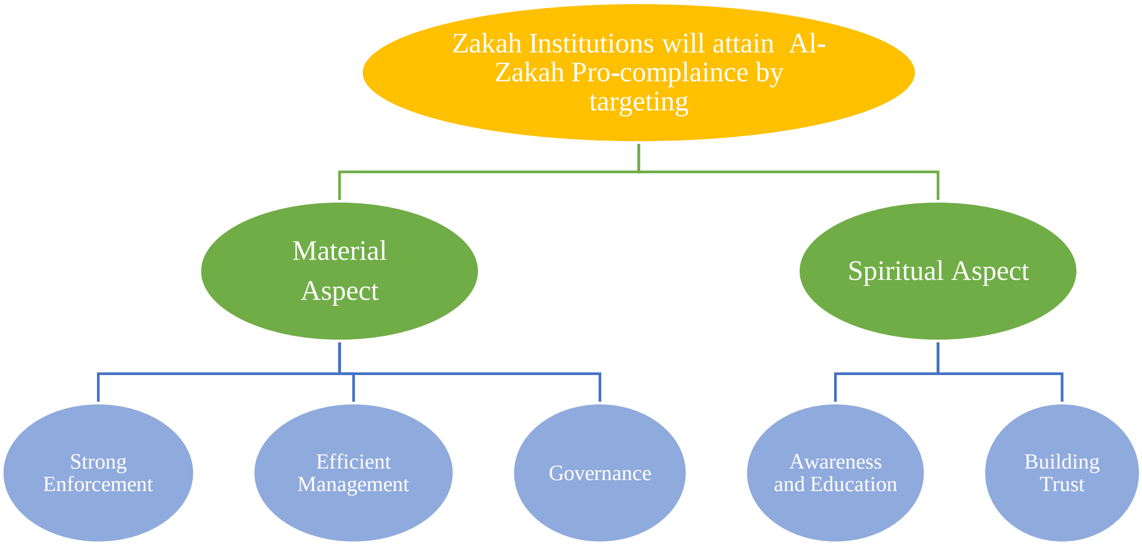


Figure 3. Attaining a Successful practical implementation of a zakah institution.

3.2 AVAILABLE DATA FOR AL-ZAKAH PAYMENT IN TURKEY

Preliminary to reviewing our survey data, noteworthy is the reference to the previously conducted survey studies, statistics, or estimations on the Turkish case concerning zakah collection or payment. Turkey, although being a Muslim majority country, it applies a legal secular law. Consequently, there is no structure to legitimize the obligation of Al-Zakah, and it is paid by individuals on a voluntary basis. Thus, Al-Zakah in Turkey is collected by charities, communities (cemaat), and social organizations (vakıf). Some of the famous institutions that accept zakah payments are the Turkish Red Crescent, the IHH humanitarian relief foundation, and the religious affairs foundation (Türkiye Diyanet Vakfı) which is affiliated with the presidency of religious affairs. Zagrali (2017) reports that these institutions are operating individually and do not cooperate, thus, it is very hard to estimate their zakah collections. Due to the lack of enough information for official zakah institutions, some research findings regarding zakah estimations, and collections of zakah payers' views which are important in the context of the thesis, in Turkey will be reviewed as follows.

As for Al-Zakah collection, The Turkish Red Crescent (Türk Kızılay) declares that 13,710,000 TL have been collected as zakah in 2013 and distributed to 15,000 individuals in need (Zagrali, 2017).

Coming to zakah estimations, Starting from Kahf (1989), in 1985, the potential zakah to GDP ratio was estimated at 1.9%, 4.9%, and 7.5% using three methods of calculation. Zaim (1993) estimated the zakah to GDP ratio in Turkey in 1988 to be 1.8%. Using 2005 data, Shirazi & Amin (2010) estimated the potential zakah to GDP ratio in turkey to be 1.88%, 4.84%, and 7.43% using Khaf’s calculation methods. As well, Shaikh (2015) computed the potential zakah to GDP to be on average 3.545% between 2008 and 2013. Next, the zakah to GDP ratio was estimated to be 2.89% using data for GDP from the Turkish Statistical Institute (Tabakoğlu & Turan, 2017).

Gümüş et al. (2019) attempt to calculate potential zakah in Turkey using three methods. The first is the zakah to GDP ratio, which represented 2.78% on average between 2012 and 2017, or equal to 56 billion Turkish Liras. The second calculation is based on the credit Suisse global wealth report, where zakah potential represents 2.5% of GDP in 2015 which is equal to 56.4 billion Turkish Liras. The third calculation is based on the Forbes method by calculating the wealth of the richest 100 in Turkey. It was estimated to be 2,510 US Dollars (6,827 million Turkish Liras) in 2015, which alone can cover poverty support expenses in Turkey that were estimated to be 1,465 million US dollars. By adding up zakah on production (first method) and zakah on Wealth (the second method), and subtracting 1/3 to the owner, that will lead to a potential zakah of 73.6 billion Turkish Liras in 2015.

Finally, the general director of the Turkish religious affairs Foundation (TDV) stated that based on the numbers provided by the Participation Banks Association Of Turkey (TKBB), the potential zakah in Tukey reaches up to 55 billion US Dollars, where the global potential zakah in Muslim countries is 10 Trillion US dollars. It was referred also to that the collected amount is very minimal to potential ones (Doğan, 2019). Moreover, at the time of the UNCHR's launching of its refugee zakah fund, it identified Turkey as the third country amongst the top five countries for potential zakah with a potential estimation of 31.3 billion US dollars. Moreover, Turkey ranked first in actual zakah collected in 2018 with 4.7 billion US dollars. The UNCHR zakah program as based on cash assistance is planned to include Refugee families in Turkey soon (UNHCR, 2019b).

As for zakah payers' views on Al-Zakah or willingness to pay it, the first resource is the survey conducted by the Presidency of Religious Affair in 2014. The presidency of religious affairs collected a sample of 100 Turkish people and asked them if they pay their zakah. According to that report, 71.9% of participants are eligible to give Al-Zakah and pay it every year, whereas 11.1% stated that when they are eligible, they pay their zakah. Additionally, 1.1% stated that even if they are eligible they aren't giving Al-Zakah, 14.6% are not eligible to pay Al-Zakah, and lastly, 1.2% didn't answer (Diyanet İşleri Başkanlığı, 2014).

Bilen and Terzi conducted two studies in 2019 and 2020 to explore people's views on the institutionalization of Al-Zakah in Turkey. Their collected samples were collected based on the convenience sampling method in both studies. As for the first study, 346 participants were from the Masjid community in Kocaeli province in Turkey. about 95% of the participants stated that they pay their zakah as an important religious act of worship. Also, around 82% of participants stated that they always or mostly start with their relatives and neighbors while distributing their zakah. Also, 84.7% of participants preferred to give Al-Zakah on their own to individuals more than paying them to foundations or civil community organizations that collect Al-Zakah. The study also emphasized the importance of zakah campaigns as an element of encouragement to zakah payers to participate in these campaigns. Most participants don't like zakah to be collected by the state, however, if that is to be implemented, the Presidency of Religious Affairs is chosen to be the responsible institution for zakah collection in Turkey. Most participants also stated that a tax rebate would encourage zakah giving and that having a zakah calculating program would facilitate zakah payments. Participants also stated that lack of knowledge, greediness, and wrong self-assessment as eligible for Al-Zakah are the most factors affecting zakah payment by religious people (Bilen & Terzi, 2019).

The second study included 339 participants who are employees at the Presidency of Religious Affairs in 2018 in Kocaeli province. About 60% of participants agree with the institutionalization of Al-Zakah, while 78.8% specified the Presidency of Religious Affairs as the responsible institution for zakah collection in Turkey. Most participants agree that tax rebates and having a fair income distribution would contribute to increasing zakah payment in Turkey. Lastly, most participants agree that the employees of the Presidency of Religious Affairs and religious affairs employees should play a role in encouraging people to pay Al-Zakah, attaining a fair zakah distribution, examine the different zakah models of other countries, and try to develop one that is suitable to Turkey (Terzi & Bilen, 2020).

Lastly, Gümüş & Şimşek's (2021) study results of their conducted survey of 512 Turkish citizens in Sakarya province show that individuals don't have enough awareness about zakah payment. The authors focus on the importance of raising the awareness of Muslims on zakah importance, payment, and distribution. The study also states a negative relationship between awareness and poverty reduction. As people's awareness of Al-Zakah increases, more funds can be raised and redirected to support the poor. As the majority of participants expressed their willingness to pay their zakah to a state zakah fund, the authors recommend establishing a zakah fund in Turkey. They stated that such a fund is a prerequisite for increasing individuals' awareness of Al-Zakah and will have a positive effect on zakah payments in Turkey.

3.3 ANALYSIS OF THE THESIS'S FIELD RESEARCH FINDINGS

Coming to the executed survey, our analysis relies on the data of 142 Turkish participants who are at least at the age of 18 years old and currently reside in Turkey. This data was collected from the 16th of May 2021 till the 22nd of the same month and year. It was published using a web-based survey in Turkish (google forms). Due to the prevailing COVID-19 social distancing considerations at the time of collecting observations, online forms have been utilized. Participants received the survey through social media means. The survey includes two sections. The first section includes questions about the participants' demographic information such as gender, age, marital status, education, employment status, province, and monthly income. The second section included questions about the participants' perception of Al-Zakah payment decisions, compliance, and willingness to pay. The survey utilized multiple choice and short answer questions. (See Appendix A.)

3.3.1 Demographic Data

Table 2. illustrates the demographic characteristics of the sample collected. Firstly, Among the total of 142 participants, approximately 75% of participants were males and 25% were females. Participants' age ranged between 19 and 64, where the average age is 33 years old. Our sample is 100% Turkish citizens residing in Turkey. Additionally, about 51% of participants live in Ankara, 14.8% in Istanbul and the remaining participants reside in other provinces. About 95% of participants are at least holders of a four-year university degree, which indicates to the collected sample is highly educated. Students represent around 6% of the sample, however, employed participants represent about 83%, and unemployed or retired form 11% of the sample. Participants were asked to specify their monthly income by choosing from income slots, and accordingly, 6% of participants are at or below 2999 Turkish Liras monthly (below or at the minimum wage in 2021). As well, 11% of participants' incomes range between 3 and 5 thousand Turkish Liras. Lastly, about 73% of participants' incomes are at 5000 Turkish liras and more, meaning that the participants' majority are above the minimum wage in Turkey in 2021.

Table 2. Demographics of participants in proportions.

Characteristic	Proportion (%)/ Mean - N=142	Std. Dev.	Min	Max
Gender		0.44	0	1
Male	74.65			
Female	25.35			
Age	33.288	8.52	19	64
Province		0.91	0	2
Ankara	50.7			
Istanbul	14.8			
Other	34.5			
Marital Status			0	1
Single	0.49			
Married	0.51			
Education			0	2
Primary/Secondary/High School	0.05	0.50		
University Degree	0.66			
Master's or Ph.D.	0.29			
Occupation		0.53	0	2
Employed	0.83			
Unemployed	0.11			
Student	0.06			
Monthly Income (T.L.)		0.54	0	5
0 – 1999	0.12			
2000 - 2999	0.04			
3000 - 3999	0.03			
4000 – 4999	0.08			
5000 - 5999	0.14			
6000+	0.59			

***Stata Program was utilized to analyze data.**

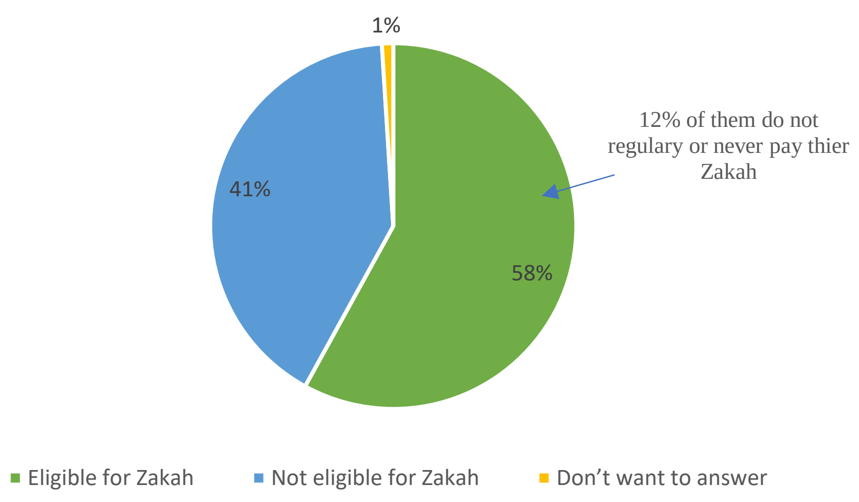
3.3.2 Results

After analyzing the data, some considerable results are observed in terms of the aims of this study. First of all, the sample fulfilled the minimum knowledge about the obligation of Al-Zakah where around 97% stated that they admit Al-Zakah as an obligatory act of worship, whereas only four participants considered it voluntary.

Around 58% of the participants identified themselves as eligible for paying Al-Zakah whereas others identified themselves as non-eligible. Only one participant didn't want to answer. When the participants were asked about performing their zakah according to their current behavior concerning zakah payment, 52% stated that they pay their zakah every year, whereas around 36.5% stated that they are ineligible to pay it. About 9% stated that sometimes they pay it and sometimes they don't, whereas only one participant stated that he/she won't pay Al-Zakah even if he/she is eligible, and only one participant didn't want to answer. Out of participants who stated their eligibility to pay Al-Zakah, about 12% (10 participants) are not paying their zakah every year. As well, out of the 13 participants stating their non-regular behavior concerning paying zakah (sometimes I pay sometimes I don't respondents), 9 are eligible for zakah (69%).

When participants were asked about the main reasons for Turkish people's non-payment from their perspective, around 55% of participants identified that it is a lack of religious knowledge, 24% stated that it is a personal decision, 9% stated that they don't identify a specific reason, 8% stated that zakah is not obligatory, and 4% stated other reasons, like the fact that people pay taxes already, lack of governmental enforcement, preferring the secular kind of life, greediness, and stubbornness. Participants were asked again if they think that lack of formal obligation in their state is the reason for non-compliance with paying zakah, the ratio jumped to 54% of those who agree or partially agree with the previous statement, whereas the remaining participants answered with "No". Coming to exploring people's views about implementing a zakah system in Tukey, people were asked whether they think that Al-Zakah should be an obligatory tax by the government. The majority of about 66% rejected such a proposal while around 34% agree or partially agree to impose an obligatory zakah system in Turkey.

Figure 4. Are you eligible to pay zakah?



So far, the findings of the study are consistent with the prementioned studies' findings. First, although almost all participants identify Al-Zakah as an obligation and the majority are paying their zakah, some still don't pay or are not regular in paying it. As well, lack of religious awareness was identified as the first reason for non-payment. Secondly, nearly a quarter the number of the participants state that performing Al-Zakah is a personal decision. Moreover, about half of the participants agree that lack of obligation is a reason why Turkish people are not paying zakah, still, about 50% of them think that Al-Zakah shouldn't be obligated by the state. All indicate the fact that zakah collection shouldn't be left to people's own assessment or discretion, and the state should be responsible for the enforcement of its collection.

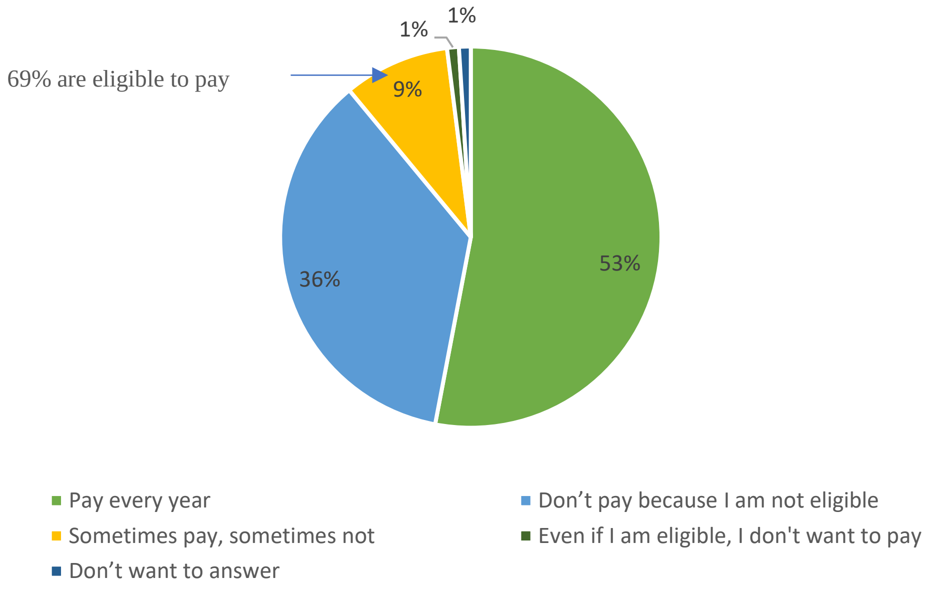
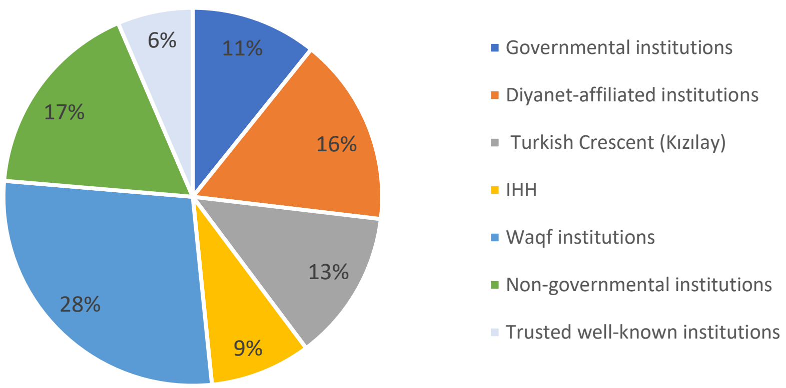


Figure 5. Participants' own assessment of their financial status against zakah.

Additionally, it can be understood from the answers of participants that a considerable number could be reluctant to zakah payment if made obligatory by the state. That is another reason to believe, as stated earlier, that gradual enforcement can attain the fruits of voluntary systems, and after a convenient adaptation of zakah payers, it can turn into an obligatory system, which is a challenging task.

The following set of questions in the survey attempt to investigate how zakah eligible participants pay their zakah and how others think about the optimal channel or method of paying zakah. As for people who identified themselves as eligible for Al-Zakah, about 59.4% stated that they pay their zakah to those who they think are in need, where 16% stated that they pay their zakah to relatives, and around 14.6 % stated that they pay zakah to an institution or Waqf (Endowments). For those who are not eligible, don't pay regularly, or didn't disclose this information, 85% stated that they would prefer to give it directly to those who they think are in need, and about 12% would prefer to give it to relatives and the remaining participants answered that Al-Zakah is to be given to an institution or a Waqf. Moreover, Participants were asked whether they trust official organizations in their country to collect and distribute their zakah, 52% answered with yes or partially yes, yet 48% answered with "No". Of those who actually pay their zakah every year or pay it irregularly, about 56% trust or partially trust institutions that collect and distribute Al-Zakah in Turkey, whereas the remaining 44% don't trust them.

Figure 6. Participants' preferences regarding giving their zakah to institutions.



Additionally, participants were asked about specific organizations or institutions they think can be trustworthy to receive their zakah, and the question was answered in a blank space form. Only 65.5% of participants answered the question and their answers varied distinctively. Participants' preference for Waqf institutions was about 28%. The second preference was for the Turkish crescent (Kızılay) with about 12.9%, and the third was for Diyanet-affiliated institutions with about 16%. Next, other non-governmental institutions were preferred by zakah payers with about 17%, governmental institutions with 10.75%, and the Humanitarian Relief Foundation (IHH) was preferred by around 8.6% of participants. Lastly, 6.45% of participants who answered this question mentioned that they are willing to pay their zakah to any trustworthy organization, while some referred to using Al-Zakah to provide students scholarships. Lastly, in an attempt to assess the response of people in Turkey to the possible involvement of participation banks in zakah collection and distribution, participants were asked whether they trust Islamic participation banks in Turkey to collect and distribute their zakah. Accordingly, 67% of participants expressed that they do not trust participation banks to perform such a role whereas 33% answered that they trust or somehow trust participation banks to involve in the collection and distribution of zakah proceeds. Around 64% of participants who pay zakah annually or pay zakah irregularly do not trust participation banks to be involved in the zakah management.

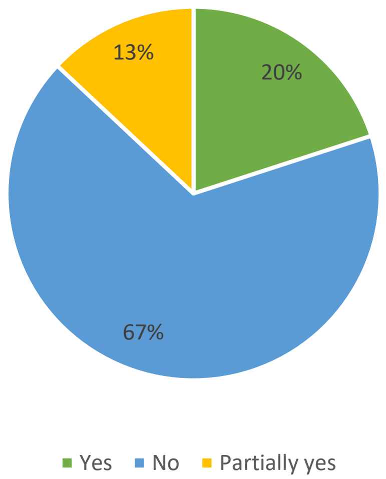


Figure 7. Willingness to pay zakah through participation banks.

In the light of the aforementioned sentiments, the thesis's findings do support the results of other studies in terms of identifying the reasons for zakah non-payment, and what possibly can form a challenge for a zakah system's implementation in Turkey. Taking into consideration that the Republic of Turkey is established on a legal secular constitution that is not consistent with the Shari'ah law, that has many reflections regarding zakah payment and collection in general. First, it reflects on having no religious laws included in the legal framework of Turkey, thus, there are no zakah laws that obligate or organize zakah collection or distribution, and Turkish people pay their zakah on a voluntary basis.

Table 3. Descriptive Statistics (Participants' views)

Variables (Participants' views)	Percentage (%) N=142	Mean	Std. Dev.
View about zakah as worship:			0.17
Zakah is obligatory	0.97	0.01	
Zakah is voluntary	0.03	0.01	
I don't know what zakah is			
Eligibility to pay zakah:			0.51
Eligible for zakah	0.58	0.04	
Not eligible for zakah	0.41	0.04	
don't want to answer	0.01	0.01	
Do you pay your zakah?			0.80
pay every year	0.53	0.04	
don't pay because I am not eligible	0.36	0.04	
sometimes pay, sometimes not	0.09	0.02	
even if I am eligible, I don't want to pay	0.01	0.01	
don't want to answer	0.01	0.01	
Reasons for non-payment:			1.85
it's a personal decision	0.24	0.04	
because the state doesn't make it obligatory	0.01	0.01	
it's not obligatory	0.08	0.02	
People pay taxes already, no need to pay zakah	0.01	0.01	
They don't have enough religious knowledge	0.55	0.04	
I don't know	0.09	0.02	
Other	0.02	0.01	
Do you think people don't pay zakah because they are not obligated to?			0.72
yes	0.19	0.03	
no	0.46	0.04	
partially yes	0.35	0.04	
Do you think that zakah should be an obligatory tax by the government?			0.55
yes	0.27	0.04	
no	0.65	0.04	
partially yes	0.07	0.02	
How do you pay your zakah?			0.75
by an institution	0.04	0.02	
to Waqf	0.06	0.02	
to my relatives	0.14	0.03	
to whom I think in need	0.77	0.04	
Trust in official institutions in Turkey to pay and distribute zakah			0.72
yes	0.26	0.04	
no	0.48	0.04	
partially yes	0.26	0.04	
Willingness to pay zakah through Islamic banks			0.57
yes	0.20	0.03	
no	0.67	0.04	
partially yes	0.13	0.03	

*Stata Program was utilized to analyze data.

Considering that along with participants' views that agreed fully or partially that zakah, as being non-obligatory, hampers zakah payment, it can be concluded that the lack of enforcement is identified as the first issue that contributes to lower zakah collection in Turkey. As well, the majority of participants expressing their refusal of applying Al-Zakah as an obligatory tax supports the possibility of the reluctance of a considerable percentage of participants to give up the prevailing secular law of the country. Additionally, the efforts of institutions that collect and distribute Al-Zakah form one side of its activities. For example, the Presidency of Religious Affairs or the Religious Affairs Waqf are institutions that have a separate institutional plan, and zakah collection ad institution falls upon it as one of its functions. As well, humanitarian organizations such as the Turkish crescent or IHH are focused on humanitarian activity, where Al-Zakah represents a financial source that can be employed in the service of funding its expenses. It is true that for present current Waqf, humanitarian, or other institutions to collect zakah funds and utilize them can be Shariah-complaint. However, it doesn’t induce harnessing the zakah mechanism as if it was institutionalized in one legal entity that is governed and managed by the state.

The second reflection is on the dominating secular educational system. Religious education in Turkey has witnessed several changes in parallel with the political change in Turkey since the establishment of the modern Turkish Republic in 1923. It has witnessed several stages from gradual complete removal starting from 1926, to limited but gradual reintroduction as an elective course at schools in 1948, to identifying religious education in schools as a mandatory curriculum in 1982 under the supervision of public institutions, where in 2012 noticeable alteration towards supporting religious education in schools and universities (Genç, 2018). Besides, religious lectures or programs organized by the Turkish Presidency of Religious Affairs in local masjids or campaigns during the month of Ramadan would make zakah knowledge attainable based on the individual or personal effort to attend and participate. Consequently, generations have been affected by the lack of religious knowledge as a part of the formal education prevailing in the country while informal channels had to make the effort to keep individuals alert regarding Al-Zakah payment. For these reasons, the lack of religious awareness is identified as the second main reason why people do not pay zakah in Turkey. Another crucial aspect of the lack of religious knowledge amongst participants is that the majority of zakah eligible participants pay their zakah to whom they think are in need followed by a considerable percentage who pay their zakah to their relatives. Although giving Al-Zakah to relatives who are in need is prioritized in Islam, however, such an observation can indicate the possible misallocation of zakah funds since evaluating their financial status can differ according to zakah payer's perspectives. Thus, having standardized guidelines for institutionalized zakah payment and distribution is crucial. Thus, such misallocation can be avoided by increasing the trust in institutions that collect and distribute Al-Zakah in Turkey.

The third prevailing issue regarding zakah payment is the lack of trust in institutions that collect and distribute Al-Zakah in Turkey. As the majority of participants stated that they do not trust institutions, that finding can be justified by several factors. First, the lack of enforcement itself can be a reason for the lack of trust. The inclusion of the government sector in public affairs guarantees a level of credibility that affect people's perception of the way institutions work. Secondly, the lack of proper disclosure and reporting of institutions that accept zakah payments in Turkey affects trust. For example, after visiting the websites of the IHH humanitarian relief organization and the Turkish Crescent, no information on Al-Zakah collection has been found. On the IHH website, annual activity reports have been found, however, Al-Zakah was mentioned along with Zakatul-Fitr (after Ramadan zakah) and Fidyah (contingent donation) to be delivered to beneficiaries. Thus, zakah payers cannot be sure about how zakah is collected and allocated. Moreover, institutions lack strong and continuous propagation for zakah payment. Mainly on specific occasions, such as in Ramadan, campaigns are launched, which is not enough to build trust or awareness.

Still, we can see considerable percentages of those who trust or partially trust institutions in Tukey, and others who show potential in involving participation banks in the process of zakah collection and distribution in the future. Thus, building up a system that can target these three issues is believed to have a positive effect on zakah payment and collection in Turkey.

CONCLUDING REMARKS & POLICY RECOMMENDATIONS

A rational Muslim is expected to, not only aim at his self-interest but also the welfare of the society around him. Individuals' financial contributions that they pay according to their ability would facilitate financing this objective by using a part of their wealth and incomes to help others, through Al-Zakah, Sadaqah (Charity), Waqf, and taxes. An act that would be reflected in the whole economic activity, ending in serving the most vulnerable members of the community (Chapra, 1991).

After surveying the economic conventional framework of taxation, economic schools of thought have set their taxation principles and schemes that would serve the overall objectives of the economy. Allocating resources efficiently, raising revenues, redistributing income and wealth, and achieving economic growth and stability, can be attained if policymakers can design optimal tax structures that serve to reach these objectives. It can be noticed that even if western economics can collect revenues by continuing to take money from the pockets of people, however, statistics and studies prove that income and wealth inequality not only persists but is deteriorating. As has been discussed, leaving the main sources of wealth untaxed, where the return to capital exceeds the growth rates of economies, will make the poor poorer and the rich richer. Increasing calls for focusing on the redistributive role of taxation, western economies are emphasizing the role of taxation in eliminating wealth and income inequalities and their search for an optimal structure for taxation is ongoing.

On the other side, Islam also required taxation since the foundation of the Islamic state from the time of prophethood. The successive years of the caliphate also witnessed the imposition of the same taxes or new types. An important component of raising revenues in the Islamic state is Al-Zakah, which has no equivalents in conventional economies, even if charities or social security systems exist. Al-Zakah, as an obligatory payment, meets the criteria that western economies are missing when it comes to overcoming inequalities and attaining optimal wealth and income redistribution, as an embedded advantageous set-up in the Islamic economic system.

Firstly, from a comprehensive angle, unlike the conventional mindset where the government has to design effective policies to redistribute income and wealth, in Islam, redistribution of wealth and income takes place in a pre-determined mechanism. First, as Muslims follow the Islamic legal framework that determines prohibitions, permissions, and manners, and ex-post the economic activity, Muslims have to pay for the rights of others in their earned money or wealth, and that is achieved through levies on income or wealth, or it can through other instruments such as voluntary giving, non-interest loans, Waqf, or expenditure for the sake of Allah. Even after one's death, wealth is again redistributed to successors (Askari et al., 2014). This mechanism is all prescribed in Islam where the whole society is responsible for its execution, and the state plays an administrative and supervising role to keep order and ensure justice.

Today, most of the old resources of revenue for the Islamic state do not exist, however, Al-Zakah will always remain a religious obligation upon Muslims and an alive promising resource of funds for Muslim countries. Al-Zakah now is collected and distributed in some countries through official systems, governmental and non-governmental, while another majority of countries leave its payment to the discretion of Muslims. So, currently, it doesn't represent a major public revenue source in almost all Muslim countries. It's still acceptable if Al-Zakah is not the main source of an Islamic country's public revenues, since it is already constrained to specific beneficiaries. Yet, the reason why the thesis attempts to focus on Al-Zakah implementation is the fact that, unlike any other levies, Al-Zakah is a two-dimensional pro-compliance enforced financial obligation that is supported by first, the divine law as a pillar of a Muslim's faith, and the supervising and managerial prementioned role of the state as a keeper of collection and distribution of Al-Zakah as the right of its beneficiaries. After the thesis's illustration of Al-Zakah mechanism theoretically, supporting that with empirical studies, it can be said that Al-Zakah can perform a significant role in alleviating poverty, reducing income disparities, and achieving efficient wealth redistribution. Not only that but it can turn the wheel of economic activity by reducing unemployment and stimulating economic growth. Recently, the USA and European countries are leading focused discussions around the imposition of a wealth tax, referring to its importance in wealth and income redistribution.

Discussions around the US Ultra-Millionaire Tax Act of 2021 as elaborated by Gamage (2021), ensure the failure of the U.S tax system in targeting windfalls of megamillionaires. Additionally, Krenek & Schratzenstaller's (2018) study for 20 EU countries refers to the necessity of imposing a net wealth tax, especially on top wealth holders, and its fundamental role against wealth inequality. Moreover, a British wealth tax commission was established in 2020 to assess the possible implementation of a wealth tax in the UK after the high increase in living costs in the UK. The commission recommends the implementation of a wealth tax to raise tax revenues in a fair manner (Advani et al., 2020).

From the empirical results of the thesis's sample in Turkey, and in line with other similar studies, the lack of both religious awareness and zakah enforcement are identified as two main reasons for the non-payment of Al-Zakah in Turkey. Moreover, the lack of trust in institutions that collect Al-Zakah is identified as a reason for the short falling of zakah collected funds. Results as well indicate the possibility of having zakah funds misallocation due to preferences to pay Al-Zakah to those who are thought to be in need or to relatives.

These results can assist policymakers in Turkey. First, it is going to be beneficial if the government aims at building people's awareness gradually. The presidency of religious affairs has to participate in that process Advertisements and campaigns about zakah payment should be published all over the year, not only during the month of Ramadan. The process of publishing has to take place via Mass-multimedia means, social networks, and lessons in local masjids. Second, as a part of the moral and religious values syllabus in Turkish schools, a proper design of information about the worship of Al-Zakah should be included. That syllabus can be introduced to school students from a young age to enhance their religious knowledge, without compromising the secularity of the law. Spreading awareness shouldn't also be restricted to Al-Zakah as an obligatory act of worship, but also should be viewed as an economic mechanism that enhances the situation of the less-privileged on basis of social solidarity. That is expected to raise the spirituality of potential zakah payers, knowing that they are participating in a national-wide or even a worldwide movement towards the betterment of the wellbeing of all. The calls should not only target individuals but also for businesses to pay their zakah.

Additionally, the study results concerning people's trust in current institutions in Turkey to collect and distribute Al-Zakah signifies the need for the institutions that collect and distribute Al-Zakah to propagate their vision and mission clearly and on the country's level, showing the public the results of the institution with regards to Al-Zakah. That includes high transparency and disclosure through publishing detailed activity reports with statistics on zakah collected funds, focusing on its impacts on beneficiaries. That kind of reporting shows the collective action of zakah payers who preferred to pay their zakah through an institution, which encourages more payment, and zakah payers also will see the results of their payments to such institutions. That is one of the main effective tools the UNCHR is using to propagate its activities. Institutions also can send notification emails to previous zakah payers to remind them of performing Al-Zakah regularly. Another dimension of enhancing trust in these institutions is to have reputable management that is well-known amongst the public. The managerial efficiency also has to be supported by high-quality internal governance. Moreover, supporting the functioning of zakah institutions with an official government accreditation and screening would play a vital role in enhancing the public trust in institutions that collect Al-Zakah in Turkey, with keeping the benefits of voluntary systems intact. As well, the application of blockchain technology in zakah institutions can enhance zakah managerial efficiency. For instance, Nor et al., (2021) elaborate on blockchain technology's potentiality in creating confidence, eliminating uncertainty and overlapping recipients, enhancing transparency and efficiency, and finally, facilitating accessing and tracking of transactions. Thus, zakah collection and distribution will be more professional and the subsequent Shari'ah governance will be improved. Additionally, Utami et al., (2021) report that to enhance its zakah management's transparency, BAZNAS applies blockchain technology.

Besides, as enforcement is an important factor that affects zakah collection, it would also prepare the public gradually to introduce a separate body for Al-Zakah collection and distribution, after building a solid public ground of both trust and awareness. That would support more compliance from the side of zakah payers. Several studies such as Gökburun (2021), Gümüş (2019), Selçuk (2016), and Zagrali (2017) introduced models to institutionalize Al-Zakah in Turkey supporting that it can be regulated by the government where some of the same previous studies suggested its management under the Turkish presidency of religious affairs. That would satisfy a considerable percentage of citizens who support institutionalizing Al-Zakah, this sort of system could gradually attract other zakah payers in the future.

In terms of encouraging zakah payment, tax rebates can be an effective tool to encourage people in that system to pay their zakah, without being reluctant to the implementation of a zakah system in the Turkish Republic. Recently, the president of the Turkish Crescent (Kızılay) stated that the institution is targeting to attract corporates' zakah payment. He added that a 100% tax rebate of aid introduced to the Turkish crescent is provided. Thus, zakah payments to the Turkish Crescent are tax-deductible (Gülel, 2022). In more detail, Yeşilyurt & Tekdoğan (2022) illustrate that due to the convergence of Al-Zakah concept to social expenditures, nowadays countries such as the USA and Australia have zakah foundations that collect zakah payments, and zakah payers can apply for tax deductions by the amount of zakah paid. Additionally, the authors referred to the Turkish tax system to offer several tax deductions on income, wealth, and expenditures, amongst which tax exemptions are granted to real and legal persons who donate to associations that work to serve the public benefit. Consequently, Al-Zakah if paid as a donation to one of the 357 public-benefit associations, including the Turkish Crescent and the IHH, in Turkey as reported by the authors, zakah payers would be eligible to earn tax exemptions under the condition that their donations don't exceed 5% of total income, which is enough to cover the percentage of Al-Zakah. Surely, from Al-Zakah eligibility angle, associations to which zakah is paid have to be serving the legal beneficiaries of Al-Zakah.

Additionally, the survey results have shown the majority of participants refusing to pay their zakah through participation banks. Thus, the possibility of involving them in the zakah collection and distribution process is questionable. Although using microfinance institutions include some operational efficiency gains such as zakah management cost reduction (Abdullahi, 2019), such an approach needs further studies in terms of reviewing the required principles for establishing a potential model for efficiently imposing such a system. Rather, participation banks might be involved in the awareness-spreading process by sending potential zakah eligible clients notifications on zakah payments.

In conclusion, fiscal policy from an Islamic perspective still needs studying and exploring from several aspects such as public resources, expenditures, debt, and social welfare. However, as Sābiq (2004) stated, in modern societies, Al-Zakah will fix the equity aspect that taxes cannot cover and does the job that taxes solely cannot perform. In a capitalist system, individuals rely on their resources to support themselves, thus they pursue their work or activity to fulfill their self-interest, sometimes keeping away from social considerations. The Islamic economic system provided an example of an equitable system that is a successful alternative to capitalism and Al-Zakah contributed noticeably to the fulfillment of fairness in the system. Introducing a system with an economic rationale, where religion plays an important role, provides a reason for compliance without compromising robustness (Torgler, 2006). Therefore, Al-Zakah is a positive addition to an economic system, whereas the utilization of Al-Zakah would serve those in need, and eventually the general public of Muslims. Also, it is important to point out that although Al-Zakah application would attain many benefits if applied, however, as Sadeq (1994) mentions that its optimal collective effectiveness will only be maximized when a complete Islamic economic system is established.

As for current zakah applications, addressing the lack of trust and lack of information and supervising the transparent implementation of zakah in the Turkish case would enhance and encourage zakah payment and support paving the way for the gradual implementation of an effective official zakah institution in Turkey.

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APPENDIX

Survey Questions

1. Bölüm: Demografik Bilgiler (Section 1: Demographic Information)

1- Cinsiyetiniz (Gender)? Erkek (Male) - Kadın (Female)

2- Yaşınız (Age)?

3- Medeni Haliniz (Marital Status)? Bekar (Single) - Evli (Married)- Diğer

4- Eğitim Durumunuz (Level of Education) *

İlkokul (Primary school) - Ortaokul (Secondary School) - Lise (High school)

Üniversite (Bachelor’s Degree) - Yüksek Lisans/Doktora (Masters Degree/Doctorate Ph.D.)

5- Meslek Durumunuz (Occupation)

Çalışıyorum (I am working) - İşsizim (I am unemployed) - Öğrenciyim (I am a student) -Emekliyim (I am retired) - Çalışamaz durumda (I am disabled/can not work) - Diğer

6- Aylık Geliriniz (Monthly Income) *

0 - 1999 TL - 2000 - 2999 TL - 3000 - 3999 TL - 4000 - 4999 TL - 5000 - 5999 TL

6000 TL - Diğer

7- Türk vatandaşı mısınız? (Are you a Turkish citizen?) Evet (yes) - Hayır (No)

8- Türkiye’nin neresinde yaşıyorsunuz? (In which district are you living in Turkey?)

2. Bölüm Zekat Verme İstekliliği ve Zekat Sistemi Uygulamasi (Willingness to Pay Zakah and System’s implementation Challenges).

Bu bölüm Türklerin bilgisini, istekliliğini ve zekatın ödenmemesinin olası nedenlerini belirlemeyi amaçlamaktadır. (This section aims at identifying people’s knowledge, willingness, and possible reasons for non- payment of zakah.)

1- Sizce zekat zorunlu bir ibadet midir yoksa gönüllü bir ibadet midir? (Do you believe that zakah is an obligatory or a voluntary act of worship?)

Zorunlu (Farz)(Obligatory) - Gönüllü (Sünnet) (Voluntary) - Zekatın ne olduğunu bilmiyorum (I don’t know what is zakah).

2- Ekonomik durumunuz zekat ödemeye uygun mu? (Are you eligible to pay zakah?)

Evet (yes) - Hayır (No) - Cevap vermek istemiyorum (I Don’t want to answer)

3- Mali durumunuza göre zekat ödeme açısından durumunuzu belirleyin: (Please identify your financial status against zakah)

Her yıl zekat veririm (I pay zakah Every Year) - Maddi durumum uygun olmadığım için zekat vermem (I don’t Pay zakah because I am not Eligible) - Bazen zekat veririm, bazen vermem (I pay it Sometimes, Sometimes not) - Maddi durumum uygun olsa bile hiç ödeme yapmak istemiyorum (I don’t want to pay even if I am Eligible) - Cevap vermek istemiyorum (Don’t want to answer)

4- Sizce insanlar neden zekat ödemiyor? (In your opinion, why people don’t pay zakah?)

Kişisel bir karar olduğu için (Because it’s a personal decision) - Devlet tarafından zorunlu kılınmadığı için (because the state doesn’t make it obligatory) - Herhangi bir zorunluluk olmadığı için (It’s not Obligatory) - İnsanlar zaten vergi ödüyor, zekat vermeye gerek yok (People pay taxes already, no need to pay zakah.) - Yeterli dini bilgiye sahip değiller (They don’t have enough religious knowledge) – Devletin şimdiki Ekonomi Durumu için (Because of the economic situation on the country) - Bilmiyorum. (I don’t know) – Diğer

5- İnsanların mecbur olmadıkları için zekat vermediklerini mi düşünüyorsunuz? (Do you think that people don’t pay zakah because they aren’t be obligated to?)

Evet (yes) - Hayır (No) - kısmen evet (Partially agree)

6- Zekatın devlet tarafından zorunlu bir vergi olarak uygulanması gerektiğini düşünüyor musunuz?(Do you think that zakah should be obligatory tax by the government?)

Evet (yes) - Hayır (No) - kısmen evet (Partially agree)

7- Zekatınızı nasıl ödersiniz? (How do you pay your zakah?)

Bir kurum vasıtasıyla (By an institution) - Bir vakıfa (To Waqf) - Akrabalarıma (To my relatives) - Muhtaç olduğunu düşündüğüm kişilere (To whom I think in need).

8- Zekat ödemesi ve dağıtması hususunda Türkiye'deki resmi kuruma güveniyor musunuz? (Do you trust official institutions in Turkey to pay and distribute your zakah?)

Evet (yes) - Hayır (No) - kısmen evet (Partially agree)

9- Zekatınızı hangi kuruma vermeyi tercih edersiniz? (Which institution do you prefer to pay your zakah to?)

10- İslami bankalar zekat toplama ve dağıtımına katılırsa, zekatınızı Katılım bankalara aracılığıyla vermeyi tercih eder misiniz? (if participation banks will participate into Zakat collection and distribution, will you prefer to give your zakah through to Islamic banks?)

Evet (yes) - Hayır (No) - kısmen evet (Partially agree)

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