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Bayt al-Mal and the Distribution of Zakat

Mahmood Namazi

Introduction

The *Bayt al-M□l* (literally meaning the House for Money, is used as an equivalent for the Treasury House where public fund is kept) is an Islamic concept built upon three main factors: wealth, trust and socio-economic justice. It is clear that attainment of socio-economic justice is an immediate objective of the *Bayt al-M□l*.

The *Bayt al-M□l* bears the responsibility of the undertaking of the society's fiscal system and welfare provisions.[1]

Accordingly, the *Bayt al-M□l* acts as a treasury complemented with the task of planning and distributing society's wealth in the whole socio-economic and political set-up of the nation. Hence, it is the financial pulse to the development process of the nation.[2]

In this paper I intend to briefly consider the philosophy and sources of wealth in the *Bayt al-M□l* and then examine *zak□t* as its main part, elaborating on coverage, rates and the distribution of *zak□t*. Finally, I will try to show the role of *zak□t* in the socio-economic justice of Muslim countries.

The philosophy of Bayt al-M□l

According to A. Ghazali,[3] the philosophy of the *Bayt al-M□l* is to form the basis of public financing. The final aim is to mould a society committed to balancing material and spiritual values by ensuring that wealth obtained by individuals is distributed from the "haves" to the "have-nots".

The *Bayt al-M□l* can also manage national trading activities, coordination of foreign exchange and international trade transactions. In the modern-day context, this role is held by the banking system which need not necessarily be a separate entity of the financial system.

Finally, everyone in the Islamic state is entitled to a reasonable standard of living and the Islamic state should guarantee its citizens' clothing, housing, health facilities, educational opportunities, and access to food at reasonable prices. A. Ghazali states that “although the *Bayt al-M□l* may not be directly involved in the administration of these welfare provisions, its funds may contribute towards the provisions of such matters.”[4]

Concept and types of the Bayt al-M□l

The *Bayt al-M□l* is a broad concept and is based on the faith that everything belongs to God, and that man being His agent on the earth may possess some of these things only temporarily and secondarily.[5] There are three types of the *Bayt al-M□l*:

1) *Bayt al-M□l al-kh□ss*: This was the "royal treasury" or the privy purse, with its own sources of income and items of expenditure. It would cover the personal expenses of the Caliph, his palaces, harem, pensions of the members of the royal family, palace guards and gifts from the Caliphs to foreign princes.

2) *Bayt al-M□l* was similar to a state bank for the Muslims. According to M. A. Mannan this does not mean that it had all the functions of the present day central bank, but that whichever of these functions did exist in their primitive forms were performed by it. Administration of *Bayt al-M□l* was always in the hand of one person.

At the provincial level, the utmost head of the *Bayt al-M□l* was the governor of the province. He was in charge of collection and administration of the revenue. The central *Bayt al-M□l* was situated at the capital of the state so that it could be under the direct control of the Caliph.

3) The last and most important type of *Bayt al-M□l* was also a public treasury and it is called *Bayt-u M□l al-Muslimîn,* or the treasury of the Muslims. In reality, it was not only for the Muslims; its function, M. Mannan states, included the welfare of all the citizens of the Islamic state regardless of their caste, color or creed.

The function of this *Bayt al-M□l* consisted of maintaining public works, roads, bridges, mosques, churches and the welfare and provision of the poor. This *Bayt al-M□l* was situated at the chief mosque and was administered by the Chief Q□□□ at the provincial level.[6]

Sources of wealth in the Bayt al-M□l

According to A. Ghazali, the wealth collected by *Bayt al-M□l* for the various expenses can be categorized into special wealth and general wealth.[7]

Special wealth includes all revenues that are determined by the *Shari‘ah*. This wealth cannot be spent on any other purposes except for those stated in the Holy Qur’an and Sunnah. The main item under this category is *zak□t* which, according to the Shi‘ite jurisprudence view includes nine assets. For example,

according to Ayatollah Khomeini zakātable assets include wheat, barley, date, raisins, gold, silver, camel, cow and sheep.[8] Each of these items after reaching certain amount become zakātable.

General wealth consists of all wealth collected by the *Bayt al-Māl* with the exception of *Zakāt*, such as dfferent types of taxes.[9]

Zakāt

The word *zakāt* has been traced to verbs that in English translate most closely as "to be pure" (as in the verse *qad aflaha man tazakkā*, i.e. Prosperous is he who has sought purity (87:14).

Thus, giving *zakāt* is seen as an act of purification for one's soul from e.g. selfishness and greediness. Others have emphasized its link to the verbs "to grow" and "to increase"[10] and have interpreted the giving of *zakāt* as leading to a significant increase of blessings in terms of material property in this world and of spiritual merit for the hereafter.[11]

It is recognized that only wealth above a certain minimum level and held for certain period of time obligates its owner to pay *zakāt*.[12] According to Imam Khumainî[13] a large number of items are exempted. Although the center piece of Islamic Public Finance is *zakāt*, its coverage, rates, beneficiaries and administration have been a controversial problem among Muslim scholars from different schools of Islam.

Coverage

In contrast to the majority of Shi'a jurists, it is generally agreed among Sunni scholars that the coverage of *zakāt* has to be extended to forms of wealth not known in the early days of Islam. According to M. N. Siddiq, shares and securities, saving in the form of insurance premiums and provident funds, rented buildings and vehicles on hire, machinery and other capital goods are taxable. He states:

Many issues continue to be controversial, one of them being the *zakāt* on machinery and capital goods. Mawdudi regards only the marketable produce of industrial units to be subject to 2.5% annual tax, and all other merchandise such as capital goods and machinery installed in these units are exempted from *zakāt*. Akram finds this view to be inconsistent with Mawdudi's opinion on the *zakāt* of shares in industrial concerns.[14]

Rates

In contrast to the 'ulamā who generally have the same opinion regarding the rates of *zakāt* as permanently fixed by Islamic law, a number of recent writers, such as M. N. Siddiq,[15] argue in favor of making these rates open to change by the state.

`Ulama point out that the state is empowered to collect additional taxes, over and above the prescribed *zak□t*, for no specific provisions are found in the *Shari'ah* that the arguments in favor of flexible rates have practical significance. The arguments in favour of valuation of the *nis□b*, i.e. the exemption limits prescribed by the *Shari'ah,* are more difficult. The main economic reason is maintained as follows:

Logically and practically it is impossible to treat as watertight compartments the three branches of fiscal planning: resource allocation, economic stabilization and income and wealth distribution. In a smoothly running Islamic economic system, the redistribution function through progressive taxation would wither away, leaving it the task of merely maintaining the egalitarian economic system with proportional taxation.

To achieve and maintain such an egalitarian system, except for minor direct transfer payments mainly to those mentally and physically deprived of the capacity to earn, the main head of expenditure of *Zak□t*/*Sadaqah*/ *Inf□q* tax revenues would be in the resource allocation and stabilization branches.

This would be consistent with the multiple goals of the Islamic economic system, spending on all the beneficiaries enumerated in the Qur'an by maintaining full employment and enabling everybody to acquire earned income and wealth in a manner that preserves human dignity.[16]

In this regard M. N. Siddiq states:
One of the major roles of progressive taxation in a modern economy is an equitable sharing of the burden of raising income for the state. Progressive taxation ensures equitable sharing of this burden. As the need for such income is likely to go on increasing, there is no possibility of doing away with progressive taxation. [17]

Distribution of the Zak□t by the Bayt al-M□l

There are eight categories of the recipients of the *Zak□t* funds:

1. Poor: Those who do not have enough for their basic needs.

2. Destitute: Those who become weaker or who are under hardship of insolvency and are keeping their conditions hidden from others. The people who fall under this category are those who have no control over changing their financial conditions and are victims of circumstances.

3. *Zak□t* collectors: They are to be paid only according to the prevailing wages, that is, commensurate with other jobs which require a similar amount of time and energy.

4. Those who need special attention and kind treatment in order to win their hearts: There are three main categories: a) Muslims who are wavering, including the newly-converted Muslim, b) Muslims living in border areas who need stronger support for defence, and c) Non-Muslims who agree not to fight against Muslims and/or otherwise become helpful to the Muslims and/or the Islamic state.

5. Freeing human beings from bondage.

6. Those unable to pay their debts.

7. Spending in the cause of Allah.

8. Travellers who run out of money and the handicapped.[18]

There is a different opinion regarding disbursement of *zakt* revenue among the various groups of the beneficiaries listed in the Qur'an. According to M. N. Siddiq[19] some 'ulama insist on direct transfer payments to the beneficiaries.

Some permit the *zakt* benefits to flow to the beneficiaries indirectly through institutions providing needed services. Some scholars believe that if the beneficiaries are the deprived, the officers in *Zakt* administration and those whose hearts are to be won over *zakt* revenue must be transferred directly and the rest can receive the benefits indirectly.

Conclusion

With the above-mentioned categories, Islam maintains that the application of the *zakt* institution will minimize the unfairness between the "haves" and the "have-nots". Hence, it leads to a more equal situation for society as a whole. However it is the role of the *Bayt al-Mal* to help *zakt* recipients to become *zakt* payers. This need not necessarily be in monetary forms.[20]

A. Ghazali writes:

Disbursement of *zakt* in monetary form is only a short-term solution to the poverty question unless the *zakt* recipients themselves have the initiative to invest their *zakt* money into enterprising ventures. Therefore, to ensure that the *zakt* funds of the *Bayt al-Mal* attain the desired long-run benefits for the recipients, *zakt* funds should be utilized with the main aim of establishing, for example, employment-creation projects.[21]

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