Islam is believed to have originated around 610 A. D. It is based on the concept of monotheism and acknowledgement of prophetic mission of Mohammed. Believers are expected to practice prayers five times a day, pay purifying tax called zaket, scaling to 1/40 of all incomes from real estate, livestock, trade benefits, crafting etc. (it was formally considered that this tax was used to support the poor, however, the actual control of it was up to the state); to fast during the month of Ramadan and perform pilgrimage to Mekka at least once in a lifetime [1].

Mohammed possessed both religious and secular power. Therefore, the early Islam did not distinguish between spiritual clerks and other people, between Islamic community and governmental organizations, between religion and official law. Quran contained directions relating to various aspects of life. Inviolable and sacred was the private property; the laws of inheritance, marriage and divorcement, guardianship were developed in detail. Numerous prohibitions existed, such as for drinking wine, gambling, eating pork, moneylending, witchcraft and more. Muslims were also expected to take part in “holy” war (jihad) against the “faithless”. This prescription has later become an ideological platform for Arabic conquest.

Islamic religion and the new Islamic state have paid considerable attention to the ownership of land. Having distributed it between representatives of tribal elite, the state enforced the land tax called ushur (part of crop). No one would be waived this tax primarily, not even the newly emerging Islamic elite. However, undeveloped or newly conquered lands were not to be distributed and were becoming the property of Islamic community. An official Islamic dogma about ownership of land was evolving. Nobody could take those lands without approval from governmental authorities. Mohammed practiced distribution of lands between his allies very often. The owner of the land was supposed to pay tax to the government, but he could pass it to his heir, sell etc. In Arabic state, the four categories of land emerged at the early stage of its history:

1) lands of tribes, under their property;
2) lands under private property – mulk;
3) state lands;
4) lands granted to Islamic elite by the government.

The victory over Chinese troops in 751 has allowed Arabs to improve the position of the Caliphate in Central Asia. In 712, Arabs have invaded India and taken Sind. The state was still considered the supreme owner of the land, and it had the power to impose taxes on population and grand lands to individual persons [2].

The main mean of land property still was mulk – private lands that are identical to Western European allodia. In possession of it was the social elite, and also many of previous Byzantine, Armenian, Iranian feudal lords who have recognized the power of Arabs and thus preserved their lands. The lands of feudal lords were cultivated by sharecropper peasants.

A vast part of the land found were the lands belonging to caliph himself (savafi lands). Those lands were also cultivated by sharecropper peasants, and the entire revenue would go to the budget. Taxes were collected by governmental clerks. Lands granted to individual people (ikta) were also derived from this fund. They were inherited and could be sold and bought. The condition for granting was payment of corresponding tax to the government.

In the caliphate, there was a precisely developed taxing system that was composed of the following types of taxation: zakat tax, that was payed by Muslims from their crafting, trade and farm breeding; capitation tax – djuzia, that was collected from non-Muslims, land tax (ushur for Muslims, kharadj for non-Muslims) [3].

At first, the tax amount was lower than in Byzantium, Iran or other conquered countries. The tax was fixed in advance, which was putting limits to exploitation of the subject population. However, during Omeiads, some taxation regulations were revised and lands and tax payers were recounted. Peasants were not allowed to leave their lands. During taxation, not only the area of land was taken into consideration, but also the types of crops, proximity to town etc.

Land tax kharadj was primarily collected from non-Muslims only either by in kind or as a part of crop, or on fixed rates from land area regardless of the crop. Land tax was lower for Muslims. After the year of 700, changes have taken place in land taxation practice. Since then on, adopting Islam would not waive land owners kharanj tax, and lands taxed with kharadj earlier, were to remain taxed, whether the owners were Muslims or not.

Non-Arabic Muslims were often obligated by authorities to pay also djizia, which was causing massive disturbance and even riots.

Such practice was cancelled, but was restored repeatedly after some time. Tax burden was particularly heavy at last Omeiads.

It is noteworthy that Islamic taxes in this way or another are still taking place in taxation practice. Among Islamic taxes, a significant place is taken by property tax which is collected in kind or as money from seven types of property and benefit: 1) salary; 2) mines; 3) deposits; 4) any property legally acquired; 5) jewelry obtained from sea bottom; 6) war trophies; 7) lands purchased from a Muslim [4].

A special place in the system of Islamic taxes is taken by zaket, that is payed solely by Muslims. This tax is paid in accordance with Islamic law once a year on Lunar calendar in a certain day during Islamic celebration of Ramadan. Zaket has a special mission; it is designed to transfer funds to poor Muslims, beggars and zaket collecters. In many countries it has practically become a regular governmental tax, that is paid by the head of household (Pakistan, Bangladesh). It is collected only from wealthy Muslims owing livestock, jewelry, having trade benefits, and is paid as 2.5% of annual income.

In Saudi Arabia, the object of zaket are any funds not involved in production, pure income and frozen funds. If a Muslim died without paying zaket, then zaket is paid from his remaining funds at first priority, and only then any other obligations are covered.

Let us overview the mechanism of taxation by Islamic taxes in certain countries.

Yemen is the only country where collecting zaket has practically not been interrupted since the time of the Prophet up until present. In VIII c. Muaz bin Jabaz, a governor appointed by the Prophet, arrived to Yemen and started actively collecting sadaka (which is in fact zaket, because at early stages of Islamic history sadaka and zaket were identical terms).

At our days, zaket is supposed to be payed by all Muslims receiving income or owing funds in the country, regardless of their citizenship. Zaket is imposed on livestock, agricultural products, goods and money. Items of expenditure from funds accumulated by collecting zaket are reserved in governmental budget.

In Yemen, the government also collects zaket al-fitr, which is a mandatory tax on the end of month Ramadan [5].

In Saudi Arabia, zaket was enforced as a governmental tax by the Royal Decree as of November 21st in 1950. Its aim was to aid the believers in fulfilling one the most important religious duties in Islam and to create effective system of zaket distribution. The tax rate was 2.5%. However, already during the next year it was decided to lower the rate of zaket as a mandatory governmental tax to 1.25%. The remaining difference from the former rate (1.25%) was up to the tax payers to be transferred to those who is most need in their opinion.

In another words, half of the money due to be paid as zaket, was turned into sadaka – the voluntary charity. This in general did not conflict with the laws of Islam; the government has just delegated its citizens the authority to distribute part of zaket.

In Saudi Arabia, zaket is supposed to be paid from products of agriculture, livestock, commodities and other goods, also from benefits of doctors, lawyers, real estate agents and others. Collection of zaket is charged to Agency of Zaket and Taxes unter the Ministry of Finance. Specialized authorities are in charge of collecting zaket from agricultural products and livestock farming. On the other side, Ministry of Labor and Social Security is in charge of distributing zaket [6, 7].

Unlike, say, Pakistan, in Libya, bank deposits and other financial funds are not taxed with zaket. The latter in accordance with the Zaket Act as of 1971 is collected from agricultural products and livestock breeding, starting from 1975.

Collection and distribution of purifying tax is a duty of different authorities. In aforementioned Act it is explicitly ascribed to what purposes and in what parts the collected zaket may be distributed. For example, the World Organizatino of Islamic Call involved in spreading Islam and knowledge of it outside Libya, may claim no more than 30% of zaket collected within the country.

In Kazakhstan, Islamic taxation exists amongst the Muslim population. Each Muslim is expected to give sadaka every Friday, and zaket every year as donations (usually – livestock or part of it) in poor's favor. All of the donations are normally regulated by Muslim clerics, not by the government.

It should be noted that Islamic taxes are different from traditional taxes in the following terms:

1) zaket is a religious duty and an act of worship expressed in financial terms, whereas tax is an economical and financial obligation;

2) zaket is only collected from Muslims, while tax is mandatory to all citizens;

3) avoidance of tax may be forgiven, and avoidance of zaket may not;

4) the rate and means of payment of zaket are constant unlike the same for taxes;

5) zaket payer may not claim any funds from this purifying tax.

Thus, in Muslim countries in accordance with the sharia laws a complex system of Islamic taxes is maintained, which may be characterized as religious taxes collected to provide for Muslim community needs, help the poor, wage religious wars etc. Muslim countries' experience confirms that in those countries, where collection and distribution of zaket is performed by non-governmental organizations, a more effective system is maintained as compared to the countries where the purifying tax is charged to governmental authorities.

References

1. Desk Book on Islamic Finance. Edited by M. Kabir Khassan – Astana, PH «Saryarka», 2010 p. 452.
2. Bekkin R. I. «Zaket – tax and religious duty»// «Finance», 2008, Vol. 11.
3. Islamic Finances in the Modern World: Economical and Legal Aspects / Edited by Bekkin, R.I. M., 2004.
4. Aby Yusuf Yakub b. Ibrahim al-Kufi. Kitab al-Kharadj (Islamic Taxation) / Translated from Arabic and commented by A. E. Schmidt. St. Petersburg, 2001.
5. Bekkin R. I. Islamic Taxs in the System of Taxation of Islamic Contries // Tax Policy and Practice - 2007. – Vol. 6.
6. Bekkin R. I. Malaysia: Dual Model of Islamic Economy // Problems of Modern Economy.-2008. Vol. 1.
7. Bekkin R. I. Sudan: Islamic Financial System in a Given Country // Africa in the Search for the Strategy of Interaction: Yearbook - 2010: Col. of articles / Edited by Kirabaev, N. S., Ponomarenko, L. V., Yurtaev, V. I., Dolginov, E. A.- M.: RUFP, 2010.