Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah *(Journal of Islamic Economics)*
Volume 16 (1), Jan-Jun 2024
P-ISSN: 2087-135X; E-ISSN: 2407-8654
Page 89 - 108

Received: 10 April 2024
Accepted: 20 June 2024
Published: 30 June 2024

Public Finance From the Perspective of Contemporary Fiqh Al-Siyāsah

Masykuri Abdillah

Abstract. *This article discusses public finance from the perspective of Islamic jurisprudence focusing on fiscal policy. Using the rules of ushul fiqh which emphasizes maqāshid al-syarī'ah as the main method in siyāsah syar'iyyah. This policy includes the function of managing sources of public income and their distribution or managing public spending as well as the function of financial stabilization. The study found that management of public revenues, such as zakat, waqf, infaq, sadaqah, in addition to jizyah, kharāj, ghanīmah, and fai' is currently not yet practiced, so ulama provides support for the development of a fair tax system and state efforts to manage natural resources sustainably as well as the development of accountable public services. The main priority in preparing the state budget is realizing people's welfare, poverty alleviation, and economic development.*

Keywords: *State Finance (Public Finance); Fiscal Policy; Public Revenue; Public Expenditure; Management of Public Finance*

Abstrak. *Artikel ini membahas keuangan publik dalam perspektif fikih siyasah yang berfokus pada kebijakan fiskal. Studi ini menggunakan kaidah ushul fiqh yang menekankan pada maqāshid al-syarī'ah sebagai metode utama dalam siyāsah syar'iyyah. Kebijakan ini meliputi fungsi pengelolaan sumber-sumber pendapatan publik dan distribusinya atau pengelolaan belanja publik serta fungsi stabilisasi keuangan. Studi ini menemukan bahwa pengelolaan pendapatan publik, seperti zakat, wakaf, infak, sadaqah, di samping jizyah, kharāj, ghanīmah, dan fai' saat ini belum dipraktikkan, sehingga ulama memberi dukungan pengembangan sistem pajak yang adil dan usaha-usaha negara untuk mengolah sumber daya alam yang berkelanjutan serta pengembangan pelayanan publik yang akuntabel. Prioritas utama dalam penyusunan anggaran belanja negara adalah mewujudkan kesejahteraan rakyat, penanggulangan kemiskinan dan pengembangan ekonomi.*

Kata kunci: *Keuangan Negara (Keuangan Publik); Kebijakan Fiskal, Pendapatan Publik; Pengeluaran Publik; Pengelolaan Keuangan Publik*

Syarif Hidayatullah State Islamic University of Jakarta, Indonesia
E-mail: masykuriabdillah@uinjkt.ac.id

Introduction

Islamic teachings do not separate religion and state but integrate the two, although empirically after the time of the prophet and Al-Khulafa' al-Rashidun, this integration did not occur completely. Muhammad himself was not just a prophet, but also a head of state, lawmaker (*al-shāri'*), judge, and even a war commander. The Al-Quran and Hadith have also provided general guidelines regarding state affairs, which then become a reference for *ulamas* in carrying out ijtihad contextual to the situation and conditions faced. Governments in Islamic history have also made policies (*al-siyāsah al-shar'iyyah*) regarding public administration, including public finances (*al-māliyyah al-āmah*). This Ijtihad is carried out by referring to the text of the Al-Quran and Hadith as well as paying attention to the *maqāshid al-sharī'ah* (the objective of shariah) which emphasize efforts to realize benefits (*maslahah*) and avoid damage (*mafsadah*), especially if in new cases it is not found the texts of the Koran and Hadith that regulate it.

During the time of the Prophet and Rashidun Caliphate, the objects of public finance (state finance) were obtained from limited sources, namely *zakat* (almsgiving), *waqf* (endowments), and *sadaqah* (public charity) as well as *jizyah* (poll tax), *kharāj* (land tax), *ghanīmah* (spoils of war), *fai'* (booty surrendered by the enemy without actual fighting), and *'ushur* (tithe tax on merchandise). The governments during the Rashidun Caliphate era and afterward made financial policies, which today can be called "fiscal policy" and "monetary policy". In the classical period, some *ulamas* (Islamic scholars) also formulated public finance in their books. Abu Hasan Ali ibn Habib al-Mawardi (364-450 H or 975-1058 AD), for example, explained this in his book, *Al-Ahkām al-Sultāniyyah*, which was written when he served as a supreme judge (*qādī qudāt*) during the time of the caliph al-Qadir (381-423 AH or 991-1031 AD). (Abu al-Hasan al-Mawardi, n.d.)

Currently, some Muslim scholars and economists have expressed and formulated public finance from an Islamic perspective as part of Islamic economics. Among them are Abdullah ibn 'Abd al-Muhsin al-Thariqi in his book, *Al-Iqtisād al-Islāmī: Usus wa Mabādi' wa Ahdāf,* Majidi in his book, *Al-Māliyyah al-'Āmah al-Islāmiyyah, and* Zia al-Din Ahmad in his book *Public Finance in Islam.* However, the existing descriptions are generally not fully contextual to current conditions. Unfortunately, this matter has not been discussed in much detail in contemporary Islamic constitutional law (*fiqh al-siyāsah*), so there are still many people and some religious figures who do not understand public finance issues from an Islamic political perspective because this issue is considered a worldly matter, which is separated from religious knowledge.

DOI: https://doi.org/10.15408/aiq.v16i1.39503

Based on the above background, this article aims to discuss contemporary public finances from an Islamic perspective or *fiqh al-siyāsah*, which includes state policies regarding public finances, public revenues, expenditures, and their implementation. This study is normative and theoretical from the perspective of contemporary *fiqh al-siyāsah*, which is the result of the ijtihad of *ulamas* and intellectuals, based on the Al-Quran and Hadith. This study was carried out using the *usūl al-fiqh* method, the description of which was enriched by the approach of economics and economic law. Regarding the description of its implementation, the study is accompanied by empirical and sociological data.

Literature Review

Public Finance Policy

Policies regarding state finances or public finances (*al-māliyyah al-'āmah*) are part of economic policy, which includes fiscal policy, monetary policy, production policy, international trade policy, and employment policy. Fiscal policy is defined as "the policy under which the government uses the instrument of taxation, public spending, and public borrowing to achieve various objectives of economic policy." ("What is Fiscal Policy", n.d.). The more practical definition of fiscal policy is expressed in Effendi, namely "a policy decided and implemented by the government in the context of preparing and implementing the state budget, both regarding state revenues and state expenditure, especially tax revenues, so that it is hoped that optimal macroeconomic performance can be achieved". (Effendi, 2017). Meanwhile, monetary policy is "a policy decided and implemented by the government to regulate and control the circulation of money in society, which is expected to result in changes to national income and price levels." (Effendi, 2017).

The government uses fiscal policy to encourage strong and sustainable economic growth and reduce poverty. In more detail, fiscal policy aims to: (1) create equal employment opportunities for society, (2) prevent or reduce unemployment, (3) create equal income distribution, (4) create social justice and reduce social inequality, (5) create stability of a country's economy, (6) achieving price stability in the long term, (7) encouraging the rate of investment, (8) spurring a country's economic growth. (Ridwan, 2021).

In the Islamic context, some *ulamas* and Muslim intellectuals since the mid-20th century have carried out new *ijtihad* regarding the concept of public finance (*al-māliyyah al-'āmah*). Their ijtihad is based on the two main sources of Islamic law, namely the Al-Quran and Hadith, using the methods of *ijmā'* (consensus), *qiyās* (analogy), *istihsān* (equity), and *maslahah mursalah* (considerations of public interest). At this time, the ulama even supported the use of Islamic legal philosophy in the form of *maqāsid al-sharī'ah* (the objective of sharia), because this concept can make Islamic teachings flexible and accommodating in responding to the dynamics of society and global developments.

Public finance is also discussed in *al-siyāsah al-shar'iyyah* (shariah policy), which according to 'Abd al-Wahhab Khallaf includes *siyāsah dustūriyyah* (constitutional policy), *siyāsah māliyyah* (financial policy), and *siyāsah khārijiyyah* (foreign policy). As part of *siyāsah shar'iyyah*, the ijtihad regarding financial policy refers to the definition of *siyāsah shar'iyyah*, namely "the act of governing a state that is oriented towards the benefit of citizens and the avoidance of damage, even though there is no explicit provision in the Quran or Sunnah" (*Al-Siyāsah mā kān fi'lan yakūn ma'ah al-nās aqrab ilā al-salāh wa ab'ad 'an al-fasad wa in lam yadah al-rasūl wa lā nazal bih wahy*). ('Abd al-Wahhab Khallaf, 2015). With this understanding of *siyāsah shar'iyyah*, the concept of public finance can currently develop in line with the development of modern economics and modern economic law.

The discussion of public finance, therefore, cannot be separated from the objective of shariah (*maqāsid al-sharī'ah*) which has been mentioned above, namely realizing the benefit of humanity by protecting everything that is their necessities, needs, and completeness (*tahqīq masālih al-nās bi taufīr darūriyyātihim wa hājiyyātihim wa tahsīniyyātihim*). This is done through efforts that can provide benefits to them and avoid damages for them (*jalb al-naf' lahum wa daf' al-darar 'anhum*). The necessities or basic human needs that must be realized and maintained are religion (*al-dīn*), reason (*al-'aql*), life (*al-nafs*), honor (*al-'ird*) and property (*al-māl*). ('Abd al-Wahhab Khallaf, 1978). According to Islam, the property essentially belongs to Allah which is given to humans as sustenance and a gift and can be owned by humans through halal work activities. Islam also makes wealth one of the basic needs (*darūriyyāt*) of humans. Therefore, Islam protects these properties (*hifz al-māl*) by preventing actions that damage or lose these properties and considers them as criminal acts (*jarīmah*). This includes all forms of actions that can harm someone in economic relations. Currently, the protection of these properties is carried out by the state through regulation and enforcement of laws relating to ownership and investment, as well as production, consumption, and distribution.

In addition to protecting individual property, the state needs assets and funds as means and capital to realize state goals, which are then called "state finances" or "public finances". In the *Oxford Reference*, public finance is defined as "*the financing*

DOI: https://doi.org/10.15408/aiq.v16i1.39503

of the goods and services provided by national and local government through taxation or other means". ("Public Finance", n.d.). Public finance in Islam is defined as *"majmū'ah al-mabādi' wa al-usūl al-iqtisādiyyah al-'āmah allatī waradat fi al-Qurān wa al-Sunnah, wa allatī tu'ālij al-īrādāt al-'āmah wa al-nafaqāt al-'āmah li al-daulah al-Islāmiyyah wa al-muwāzanah bainahumā* (A set of general economic principles mentioned in the Quran and Sunnah, relating to the public revenues and public expenditures of an Islamic state, and the balance between the two). (Habu Bakr al-Haj Abdullah, n.d.) This function of public finance is very important to (1) realize state financing, (2) realize the principles of social justice, (3) realize economic development, and (4) realize economic stability. (Majidi, n.d.).

The study of public finance in Islam began to develop in the 1970s, namely with the inclusion of this field as part of Islamic economics, which has been developed into a separate science. After the birth of modern positivist economic doctrine in the 1930s and the development of the contemporary economic system, Islamic economic studies began to emerge, but at that time Islamic economics was still a school of economic thought. Islamic economics as an independent science was first presented at the first conference on Islamic economics in Mecca in 1976 AD (Ghadiban, n.d.). Indeed, there are also *ulamas* and Muslim intellectuals who argue that Islamic economics is a school of economics and not an independent science. This is based on the argument that Islamic economics only teaches general principles, which can be applied in various systems according to the differences of systems in each country. Islamic economics can be called an economic system (*al-nizām al-al-iqtisādī*), but it is not a science (Jamal al-Din Muhammad Mahmud, 1991). Apart from this debate, the epistemology of Islamic economics is currently quite clear, which includes the origins of Islamic economics, its methodology, and its scientific validation.

Terms related to the field of Islamic economics have also developed in line with the development of conventional economics, for example, *al-iqtisād al-Islāmī* (Islamic finance), *nizām al-iqtisād al-Islāmī* (Islamic economic system), Islamic economic theory (*al-nazariyyah al-iqtisādiyyah al-Islāmīyyah*), *siyāsah al-iqtisād al-Islāmī* (Islamic economic policy), *al-siyāsah al-māliyyah* (fiscal policy), *siyāsah al-nuqūd* (monetary policy), *al-māliyyah al-'āmmah* (public finance), *al -siyāsah al-iqtisādiyyah al-kulliyah* (macroeconomic policy), *al-siyāsah al-iqtisādiyyah al-juziyyah* (microeconomic policy), and so on.

All *ulamas* and Muslim intellectuals agree on the use of the term "Islamic economic system" (*al-nizhām al-iqtishād al-Islāmī*), which in several respects is different from the capitalist economic system and the socialist/communist economic system. Islamic economics is defined as "a set of general principles originating from the Al-Quran and Hadith as well as economic constructions developed on these principles according to each organization and each era." (Abdullah ibn 'Abd al-Muhsin al-Thariqi, 2009). The general principles of Islamic economics take the form of legal norms (*halal* and *haram*) as well as ethics and morals. The principles of Islamic economics are (1) recognition of private property rights, (2) mutual assistance and cooperation, (3) equal distribution of income and wealth, (4) social security, and (5) honesty and accountability (*amānah*). To realize these principles, Islam prohibits the following practices: (1) free-fight liberalism, (2) monopolistic practices, (3) providing unfair facilities to certain parties, (4) practices of manipulation and speculation, (5) hoarding of goods, and (6) exploitation of labor. (Afzalur Rahman, 1995).

Operationally, these Islamic economic principles are realized in government economic policies to realize people's welfare and prosperity, to maintain security and public order, and to maintain the integrity and sovereignty of the state. (Effendi, 2017). These welfare criteria include people's purchasing power, people's education level, and people's improving health levels. Economic policy in Islam also includes fiscal policy (*al-siyāsah al-māliyyah*), which Wahhab Khallaf defines as "the management of financial resources and their expenditure in a way that can guarantee the fulfillment of expenditure required by the public interest without burdening individuals or endangering their interests." ('Abd al-Wahhab Khallaf, 2015).

Fiscal policy in Islam aims to make a very important contribution to the establishment of a just socio-economic order as envisioned in Islamic teachings. Another goal is the prevention of gross inequality in income and wealth, in line with Q.S. Al-Hashr: 7: "so that wealth may not merely circulate among your rich." The Islamic concept of distributive justice disapproves of forced equalization of income and wealth as in communist systems because human efforts and capacities vary from person to person and must be duly rewarded. Fiscal policy also needs to pay attention to growth and development, because this is very important to meet the basic needs of all citizens from time to time which Islam considers very important. (Zia al-Din Ahmad, 1989).

The position of fiscal policy is very important in a country's economy because this has a direct impact on national income, unemployment rates, inflation, and poverty. This fiscal policy includes the function of allocating or managing sources of public income (*al-mawārid al-māliyyah al-'āmah*) and the function of distributing or managing public expenditure (*al-infāq al-'ām*) as well as the function of financial stabilization (*al-istiqrār al-mālī*) to create a stable economy. In carrying out this

DOI: https://doi.org/10.15408/aiq.v16i1.39503

function, the government is obliged to make a budget for a certain period fairly, both in collecting state income originating from the people and in its distribution by considering problems and adhering to the general rules of Islamic law. ('Abd al-Wahhab Khallaf, 2015).

Methods

Based on the above background, this article aims to discuss contemporary public finances from an Islamic perspective or *fiqh al-siyāsah*, which includes state policies regarding public finances, public revenues, expenditures, and their implementation. This study is normative and theoretical from the perspective of contemporary *fiqh al-siyāsah*, which is the result of the ijtihad of *ulamas* and intellectuals, based on the Al-Quran and Hadith. This study was carried out using the *usūl al-fiqh* method, the description of which was enriched by the approach of economics and economic law. Regarding the description of its implementation, the study is accompanied by empirical and sociological data.

Results and Discussion

Sources of Public Revenue

As mentioned above, the government uses fiscal policy to encourage strong and sustainable growth and reduce poverty. In this context, the government is required to mobilize and develop existing resources, which consist of human resources, natural resources, and artificial resources owned by the state to achieve sufficient public income. Public revenues are generated through four main sources of income, namely taxes and other mandatory transfers imposed by government units, property income derived from ownership of assets, sales of goods and services, and voluntary transfers received from other units (GFSM, 2001).

In the Islamic context, the sources of state income mentioned in the Al-Quran and Hadith as well as government practices in the early days were still limited, namely *zakat* (almsgiving), *waqf* (endowments), and *sadaqah* (public charity) as well as *jizyah* (poll tax), *kharāj* (land tax), *ghanīmah* (spoils of war), *fai'* (booty surrendered by the enemy without actual fighting), and *ushūr* (tithe tax on merchandise). Nevertheless, currently, with social, political, and economic developments, some of the above sources of income are no longer practiced and are being replaced by new sources of income, whether they are the result of innovation from the Muslim community itself or imitations from civilizations outside Islam. These sources of state income are grouped into three forms, as explained below:

DOI: https://doi.org/10.15408/aiq.v16i1.39503

1. Zakat, which is the third pillar of Islam, must be carried out by every Muslim who has a certain amount of treasures (*nisab*). The zakat is based, among other things, on Q.S. Al-Baqarah: 43: "And establish prayer, pay zakat (alms-tax), and bow down with those who bow down." In the history of Islam in the past, zakat was an important instrument for equal distribution of the welfare of Muslims and state income. Apart from containing a spiritual dimension as an instrument of soul purification (*tazkiyah al-nafs*), zakat also contains a social dimension, namely the realization of social solidarity, alleviation of poverty, redistribution of income and wealth, and the realization of state security. ("Al-Siyāsah al-Māliyyah fī al-Iqtisad al-Islāmī", n.d.).

   In the past, the ulama conducted ijtihad that the properties on which zakat must be paid were only agricultural staple foods, gold and silver metals, dates and grapes, camel, cattle and goat farming, trade properties, mines (*ma'din*), and the discovery of treasures buried in the ground (*rikāz*). Nevertheless, currently, most *ulamas* maintain ijtihad that all income and properties that have economic value, reach a certain level, and are obtained lawfully, must be paid zakat, whether agricultural, livestock, industrial, trade, mining, or others. Thus, zakat is required for the agriculture of corn, soybeans, as well as all types of vegetables and fruit. Likewise, salaries and income from all halal jobs and professions are also required to be paid zakat (Yusuf al-Qaradawi, 1973). This is in line with Q.S. Al-Baqarah: 267: "O believers! Donate from the best of what you have earned and of what We have produced for you from the earth."
2. Taxes, the forms of which include:
   a. *Jizyah*, is a poll tax collected from *dhimmi* (protected infidel) as a reward for their protection. This *jizyah* collection is based, among other things, on Q.S. Al-Taubah: 29: "Fight against those who do not believe in Allah or the Last Day and who do not consider unlawful what Allah and His Messenger have made unlawful and who do not adopt the religion of truth (Islam) from those who were given the Scripture – (fight) until they give the *jizyah* (poll tax)." This *jizyah* is related to the classification of citizens into Muslims and non-Muslims (infidels). The infidels were classified into four categories, namely (1) *dhimmī*, namely non-Muslims who live in Islamic territory (*dār al-Islām*) who receive protection by paying taxes (*jizyah*), (2) *mu'āhad*, namely non-Muslims who live in a non-Muslim territory that have an agreement with Islamic territory, (3) *musta'man*, namely non-Muslims who ask for security protection in Islamic territory, and (4) *harbī*, namely non-Muslims who live in war territory (*dār al-harb*).

DOI: https://doi.org/10.15408/aiq.v16i1.39503

The first, second, and third groups receive protection from the government in Islamic territory by paying taxes (*jizyah*). Protection for *dhimmī* is based on the Hadith: "Whoever hurts *dhimmī*, he has hurt me; and whoever hurts me, he has hurt Allah." (H.R. Thabrani). Meanwhile, protection against *mu'ahad* is based on the Hadith: "Whoever kills *mu'ahad*, he will not smell heaven. And indeed, the smell of heaven can be smelled from a distance of 40 years" (H.R. Bukhari). In the context of contemporary Muslim countries, these groupings and terms are no longer used, so this *jizyah* is currently no longer practiced. Citizens, whatever their religion, are called *muwātīn* (citizen) in a nation-state (*al-daulah al-wataniyyah*). They have promised to be loyal to the constitution and existing state laws, so that they have the same rights and obligations, including in matters of national defense. As is known, in the past, one of the reasons for collecting the *jizyah* was because the *dhimmī* were freed from the obligation to defend the country, and this *jizyah* was considered a substitute for this obligation (Kulliyyah al-'Ulūm al-Islāmiyyah, 2013).

b. *Kharāj*, is a tax on land products belonging to the Muslims (Muslim countries) which were obtained through the conquest of the infidels, but which are still processed or worked on by the *dhimmī* as a substitute for zakat which is only obligatory for Muslims. The first person to implement *kharāj* was Caliph Umar ibn al-Khattab when he succeeded in conquering Iraq. Then, after a tough debate, he succeeded in convincing the prophet's companions not to share the land captured from the Iraqi war among the conquerors. The land belonged to Muslims and was cultivated by residents with the obligation to pay agricultural tax (*kharāj*). (Muhammad al-Muntasir Billah, 2008; 'Abd al-Wahhab Khallaf, 2015). However, this *kharāj* is also no longer practiced in Muslim countries because all of them no longer apply the concept of citizen classification as mentioned above. Indeed, currently, most countries in the world, including Muslim countries, apply this agricultural tax without distinguishing between their religious and ethnic backgrounds.

c. '*Ushur* (tithe tax on merchandise), is a tax of one-tenth of the treasures traded by traders from outside the region. This tax is imposed to protect internal trade from competition by imposing a burden on outside traders to obtain trade facilities (Majidi, n.d.). It is logical for those traders to contribute a portion of their trading profits to cover the costs of public services and facilities obtained. This '*ushur* tax is not found in the

DOI: https://doi.org/10.15408/aiq.v16i1.39503

Quran and Hadith but was initiated by Caliph Umar bin al-Khattab as a reciprocal of the treatment of outsiders who levied a 10 percent tax on Muslim traders. (Majidi, n.d.) This kind of tax is now commonly applied in international trade through the determination of duty rates as official levies imposed on import and export goods.

d. *Darībah*, is a general tax, namely mandatory contributions to the state by individuals or entities that are coercive based on the laws in force in a country without direct compensation for the needs of the state and the prosperity of the people. In the time of the Prophet and the early days of Islam, taxes were known only in the form of *jizyah* and *kharāj* as mentioned above. However, currently, almost all countries apply taxes as an instrument of state revenue, including Muslim countries. Tax collection in most Muslim countries is carried out because the amount of income from conventional sources mentioned in the Al-Quran and Muslim Hadith cannot meet all public needs. In addition, the use of zakat treasures, for example, is limited to only eight groups (*asnāf*), as mentioned in Q.S. Al-Taubah: 60, so it cannot be distributed for other needs that are very urgent.

Because tax provisions are not explicitly mentioned in the Al-Quran and Hadith, there are differences among *ulamas* regarding this tax. The first group argues that zakat is the only obligation on properties, and no one is obligated on properties other than zakat, whether in the form of taxes or otherwise. This opinion was expressed, among others, by Nasir al-Din al-Albani, because this tax was considered *maks* (illegal levies), which had been prohibited by the Prophet ("Hukm al-Darāib fī al-Islām", n.d.). This is based on the Hadith: "*Lais fī al-māl siwā al-zakāh*" (In wealth there is no obligation other than zakat).

The second group argues that there are obligations in properties other than zakat, and therefore, the state is allowed to require taxes other than zakat. Abu Dzar al-Ghifari was the first Prophet's companion to hold this opinion and was later followed by the *tābi'ūn* (successors of the companions), such as Al-Nakhai, 'Atha', and Mujahid. This opinion is based on Q.S. Al-Baqarah: 177: "Virtue is not turning your face towards the east and west, but virtue is (virtue) those who believe in Allah, the Last Day, the angels, the books and the prophets and give away wealth which he loves to relatives, orphans, poor people, people who are on a journey (travelers), beggars, and to free his servants, who perform prayers and pay zakat..." (Nazih 'Abd al-Maqsud Muhammad Mabruk, 2022).

The second opinion above is widely expressed by most *ulamas* and Muslim intellectuals today. This opinion is important because public financial sources from zakat and other sources mentioned explicitly in the Quran and Hadith cannot currently meet all the needs of the government (*ulū al-amr*), which must finance security to maintain state sovereignty, routine costs of state management, and infrastructure development for the benefit and welfare of the people, including poverty alleviation. ('Abd al-Wahhab Khallaf, 2015).

Thus, tax revenue is needed by the state so that the government can carry out its duties optimally. This tax collection is justified in Islamic law, in line with Q.S. Al-Dhariyat: 19: "And in their wealth there was a rightful share (fulfilled) for the beggar and the poor." Citizens' compliance with paying taxes determined by the ruling authority (*ulī al-amr*) is in line with Q.S. Al-Nisa': 59: "O believers! Obey Allah and obey the Messenger and those in authority among you." In Muslim countries that are quite democratic, the amount of this tax is now decided based on an agreement between the executive and the legislative bodies while still paying attention to the opinions of *ulamas*.

e. *Jamarik* (customs), are levies imposed on imports and exports, while excise is an official levy imposed on goods that have special characteristics and a negative impact on the environment and the public but not to the point of being forbidden, such as cigarettes and tobacco. In non-Muslim majority countries and some Muslim-majority countries, this excise is also imposed on goods that according to Islam are forbidden, such as alcohol and gambling. Like taxes, during the time of the Prophet, there was no income from these customs duties. Some scholars, including Abdullah bin Baz, forbid customs duties and equate them with "*maks*", which means illegal levies collected from traders during the Jahiliyyah era. The Prophet forbade it, as stated in the Hadith: "Those who make maximum charges will not enter heaven" (H.R. Ahmad and Abu Daud). (ما-حكم-الجمرك, n.d.) Obviously, taxes and customs duties are different from *maks* (illegal levies) because customs duties, like taxes and levies, are officially determined by the state (government) and their proceeds go to the state treasury, while *maks* are illegal levies and their proceeds are only enjoyed by the person who collects them. This customs duty is similar to '*ushur* as mentioned

DOI: https://doi.org/10.15408/aiq.v16i1.39503

above. However, customs duties are applied to foreign trade regardless of religious background.

f. *Jibāyah* (retribution), is levies carried out directly by the government in connection with the use of services provided by the government, whether in the form of general services, business services, or certain permits. The types of levies include: (1) general service levies, such as levies on health services, education, and motor vehicle testing, (2) business service levies, such as market/shop service fees, port service fees, entrance fees to recreation areas, and (3) certain licensing fees, such as building construction permit fees, business licensing fees, and so on. Like taxes and customs, levies cannot be analogous to *max* (illegal levies), because these levies are collected by the government officially based on existing laws and regulations.

3. Non-zakat and non-tax income, which includes:

a. *Ghanīmah* and *fai'*, the former (*ghanīmah*) is income obtained from the spoils of war against infidels, while the latter (*fai'*), is income obtained from infidels without war. The income from this *ghanīmah* is based on Q.S. Al-Anfal: 41: "Know that whatever spoils you take, one-fifth is for Allah and the Messenger, his close relatives, orphans, the poor, and (needy) travelers." Meanwhile, *fai'* is based on Q.S. Al-Hashr: 7: "As for gains granted by Allah to His Messenger from the people of ⌜other⌝ lands, they are for Allah and the Messenger, his close relatives, orphans, the poor, and ⌜needy⌝ travelers so that wealth may not merely circulate among your rich." Nevertheless, along with the social and political changes in the world, these two sources of income are no longer applicable in the lives of Muslim societies and countries today.

b. The results of state-owned businesses in the form of exploration and processing of natural resources, processing of land for agriculture and plantations, rental and sale of state-owned property, industrial development, trade, and services. These state-owned businesses include, for example, mining industries of gold, silver, tin, copper, nickel, petroleum, gas, coal, electricity, machinery industry, transportation, tourism and so on. Currently, income from the industrial sector is also the main mainstay in obtaining state finances besides tax income. There are even several countries that do not collect individual taxes, because the country's income needs are already met from this sector, such as Saudi Arabia, the United Arab Emirates, the Bahamas, the Virgin Islands, and others.

DOI: https://doi.org/10.15408/aiq.v16i1.39503

("Saudi Arabia Personal Income Tax Rate", n.d.; "United Arab Emirates Individual Taxes on Personal Income", n.d.)

c. *Waqf* (endowment), namely the handing over of part of a person's property to be used by the public for worship and/or public welfare according to Shariah. Hadiths regarding the motivation for giving *waqf* include: "When a human being dies, his good deeds are cut off except from three sources, namely continuous alms (endowment), useful knowledge, and pious children who pray for him." Like zakat, waqf can be managed by *nazir* (endowment supervisor) among the people themselves or by the state, and only those managed by the state are included in public (state) finances. In Islamic history, the role of *waqf* is very important for the development of Islamic civilization and the welfare of the people. Therefore, in many Muslim countries, *waqf* is now being promoted again with a dynamic concept, both in terms of objects through cash waqf, productive empowerment, and digital techniques.

d. Grants, gifts, alms, and *infāq* (spending wealth for charity), and alms, which are given to the country, both from the people themselves and other parties/countries. Many verses in the Quran confirm this, among others, mentioned in Q.S. Al-Maidah: 2: "Cooperate in goodness and righteousness, and do not cooperate in sin and transgression." Meanwhile, the Hadith argument that confirms this is "Give each other gifts, you will surely love each other" (H.R. Al-Baihaqi). Grants, gifts, and alms can be given to individuals, organizations, or countries; and only what is given to the state can be called state income. Apart from that, grants, gifts, and alms can also come from parties outside Islam, whether given by individuals, organizations, or the state. Grants from other countries usually take the form of humanitarian assistance for victims of natural disasters, overcoming absolute poverty, overcoming climate change, improving governance, improving public health, and so on.

e. Loans and debts (*qard*), which are made if there is a budget deficit, while the government needs funds to finance development programs to accelerate economic growth and people's welfare. This debt can come from within the country, such as securities consisting of bonds and government debt securities or *Sukuk*, and can also come from abroad, either from other countries or international financial institutions affiliated with the Organization of the Islamic Conference (OIC) and the United Nations (UN). Islamic law allows someone to take debts that do not contain

DOI: https://doi.org/10.15408/aiq.v16i1.39503

elements of usury, whether by individuals, companies, or the state. This debt is a last resort to cover urgent needs, provided that the amount is considered reasonable, safe, and not burdensome to repay. This is based, among other things, on Q.S. Al-Hadid: 11: "Who is it that will lend to Allah a good loan which Allah will multiply (many times over) for them, and they will have an honorable reward?" Giving debts to other people is even considered a form of mutual assistance in kindness, in line with Q.S. Al-Maidah: 2 mentioned above.

Public Expenditure

Apart from the state revenue policy as described above, government policy in the field of public finance also takes the form of state expenditure policy. In this context, government policy is required to adopt public policy instruments, which include: (1) implementation and development of government administration and bureaucracy, (2) implementation and development of education, (3) implementation and development of health, (4) implementation and development of infrastructure, (5) implementation and development of public facilities, (6) implementation and development of defense and security, and (7) distribution of income and social security (Effendi, 2017). The need for public spending is increasingly greater with new developments occurring both domestically and abroad, such as modernization of defense equipment, increasing population growth, higher living standards, disease outbreaks and natural disasters, social pathology, inflation, the occurrence of war or conflict within the country and between countries, and so on.

From an Islamic perspective, public expenditure is a means of meeting public needs and a very effective tool for driving economic and social activities as well as the exploration and processing of natural resources owned by the state in line with shariah principles. This also reflects the role, responsibility, and function of the government in protecting religion and regulating worldly affairs *(hirāsah al-dīn wa siyāsah al-dunyā*) to realize the state's goals, namely prosperity and security.

As part of *fiqh al-siyāsah*, legal provisions regarding the use of public financial budgets are very flexible. The main principle in the public budget is benefit (*maslahah*), in line with the principle of "*tasarruf al-imām 'alā al-ra''yyah manūt bi al-maslahah*" (leaders' policies and behavior for the people are based on benefit). In terms of urgency, as mentioned above, benefits consist of *darūriyyāt* (necessities), *hājiyyāt* (needs), and *tahsīniyyāt* (completeness). In line with this,

DOI: https://doi.org/10.15408/aiq.v16i1.39503

the level of needs fulfillment also includes fulfilling basic needs, ordinary needs, complementary needs, and extravagant and luxurious needs (*al-saraf wa al-taraf*). The government must not use public finances to meet these latter needs, namely wasteful and luxurious needs. Other principles are justice and equality, rational and moderate (not wasteful and not stingy), and consideration of priorities in spending (Majidi, n.d.).

The state budget can be divided into several groups. First, in terms of sources of income, the expenditure budget is divided into two forms, namely (1) expenditures that have their source of income, such as expenditures from zakat, *ghanīmah* and *fai'* funds, whose targets and distribution have been specifically stated for certain groups, and (2) expenditures that do not have a specific source of income, so that expenditures can be made for all areas related to the public interest, such as salaries of state officials and employees, soldiers, judges, public facilities, etc.

Second, in terms of time perspective, state expenditure is divided into two groups, namely (1) periodic or regular expenditure, which represents permanent expenditure and fixed expenditure, and is characterized by repetition and periodization, such as the state administrative budget, salaries of state officials, social security, and so on, as well as (2) non-periodic or extraordinary expenditures, namely expenditures that do not recur every year, such as war budgets, dealing with sudden outbreaks and disasters, building public facilities, and so on (Majidi, n.d.). Currently, periodic expenditure is referred to as the routine budget, while non-periodic expenditure is called the development budget.

Third, in terms of allocation, expenditure can be divided into several areas, namely (1) administrative and government organization budget, (2) economic development budget, (3) community and cultural development budget, (4) education budget, (5) budget for developing Islamic da'wah and guidance (5) political development budget (6) education budget, (7) health budget, (8) infrastructure development budget such as roads, bridges and means of transportation, and so on (Majidi, n.d.). Fourth, in terms of administrative distribution of expenditure or according to scope, state expenditure is divided into central expenditure and regional expenditure (provincial and district/city).

During the Prophet's time, public financial management was carried out by several companions, especially tribal chiefs, who were assigned by the Prophet to collect zakat, *ghanīmah,* and *fai'* treasures. During the time of the Prophet, there was no annual budgeting system. Treasures obtained from zakat and *ghanīmah*

DOI: https://doi.org/10.15408/aiq.v16i1.39503

are not kept but are immediately distributed to people who are entitled to receive them. In the case of special needs, the Prophet used to ask for voluntary donations from his companions, which immediately got a response from them because it was based on strong faith and a sense of obligation to society. The Prophet also resorted to borrowing on certain occasions to meet expenditure requirements (Ziauddin Ahmad, 1989).

Like the Prophet, Abu Bakr also managed the people's property very well. In the second year, Abu Bakr made a place to store the zakat, *ghanīmah*, and *fai'* treasures that had been collected. The new Bait al-Mal was founded by Caliph Umar bin Khattab who was motivated by the need to manage public property due to the increasing amount of loot obtained in wars in areas previously under the rule of the Eastern Romans (Byzantines) and Persians. This Bait al-Mal institution has the function of collecting public income or property and distributing it to parties who are entitled to receive it, including salaries of public officials and public facilities.

Currently, public finances in all Muslim countries are managed by modern institutions in the form of the Ministry of Finance as a replacement for Bait al-Mal. In contrast to the past, which gave authority to the government (*waliyy al-amri*) to make financial policies freely, current policies regarding public finances are generally decided by the executive (government) and the legislative body. Meanwhile, the execution is carried out by the government, in this case, the Ministry of Finance. This ministry usually has the main task of formulating, establishing, and implementing policies in the fields of budgeting, non-tax state revenue, customs and excise, state treasury, state assets, financial balance, and managing state financing and financial risks.

In general, poverty levels in Muslim countries are still very high, while population growth in these countries is also generally high. In a study conducted by Bige Saatçioğlu, Özlem Sandıkcı, and Aliakbar Jafari, Muslims are among the poorest of the poor in the world. Overall, Muslims constitute approximately 24% of the world's population but generate only 10% of global GDP (SESRIC, 2012). About 40% of the Muslim population is in extreme poverty, with nearly 350 million people living on less than US$1.25 per day (COMCEC, 2014). More than half of the 57 Muslim countries in the world are listed as low-income food-deficit countries by the Food and Agriculture Organization of the United Nations (FAO, 2014), and almost half are in the low category in the United Nations Development Human Development Index (UNDP, 2014). Nearly 30% of Muslims cannot read or write, and in rural areas, female illiteracy rates

DOI: https://doi.org/10.15408/aiq.v16i1.39503

reach 75% (SESRIC, 2013). (Saatçioğlu, Sandıkcı, & Jafari, n.d.) As a world organization, the United Nations (UN) has launched programs to overcome extreme poverty, including through the Millennium Development Goals (MDGs) 1990-2015 program, which was followed by the Sustainable Development Goals (SDGs) 2016-2015.

In general, Muslim countries are developing countries, so the income and expenditure budgets in these countries are still low. In conditions like this, the government is responsible for preparing the budget appropriately based on the priority scale. In preparing the expenditure budget, the main priority is to realize people's welfare and overcome poverty by fulfilling minimum living standards for citizens, which include clothing, shelter, food, education, and health. This implies a greater emphasis on projects to improve health, education, and housing facilities for the poor, as well as subsidies for certain goods for them (Ziauddin Ahmad, 1989) In addition, the state budget is also required to pay attention to economic growth and development because this is very important for creating jobs and meeting the basic needs of all citizens from time to time as mentioned above.

To support economic development effectively within the framework of equitable distribution of people's welfare and economic growth, Muslim countries have established the Islamic Development Bank (IDB), which is an international financial institution established based on the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries in Jeddah in December 1973, and officially began operations on 20 October 1975. The IDB aims to promote the economic development and social progress of member countries and Muslim communities in non-member countries both individually and collectively in line with the Shariah principles (Islamic Development Bank, 2008).

With the aim mentioned above, the IDB functions to provide various forms of development assistance for poverty alleviation, and human development, establishing economic cooperation, promoting trade and investment, and increasing the role of Islamic finance in the social and economic development of member countries. The IDB also allocates special funds for specific purposes including funds for assistance to Muslim communities in non-member countries. The IDB mobilizes financial resources using shariah-compliant schemes and provides technical assistance to member countries, including the provision of training facilities for personnel involved in development activities in member countries. (Islamic Development Bank, 2008)

DOI: https://doi.org/10.15408/aiq.v16i1.39503

Conclusion

From the description above, it can be concluded that state finance or public finance (*al-māliyyah al-'āmah*) is a set of general principles in economics mentioned in the Al-Quran and Sunnah, which relates to public income and public expenditure in an Islamic country and the balance between the two. The concept of public finance is very dynamic and flexible in line with the definition of *siyāsah shar'iyyah* (sharia policy), namely "the act of governing the state that is oriented towards the benefit and the avoidance of damage, even though there is no explicit proposition in the Quran or Sunnah." Public financial regulation is implemented through fiscal policy (*al-siyāsah al-māliyyah*) and monetary policy (*al-siyāsah al-naqdiyyah*), which are also part of the *al-siyāsah al-shar'iyyah*. The position of fiscal policy is very important in a country's economy because this has a direct impact on national income, unemployment rates, inflation, and poverty. Fiscal policy includes the function of allocation or management of public income (*al-mawārid al-māliyyah*) and the function of distribution or management of public expenditure (*al-infāq al-'ām*) as well as the function of financial stabilization (*al-istiqrār al*-mālī) to create a stable economy.

In carrying out this function, the government is obliged to make a budget within a certain period in a fair manner, both in collecting state income originating from the people and in its distribution by considering problems and adhering to the general rules of Islamic law. The Al-Quran and Hadith have mentioned several forms of public income, namely: *zakat* (almsgiving), *waqf* (endowments), and *sadaqah* (public charity) as well as *jizyah* (poll tax), *kharāj* (land tax), *ghanīmah* (spoils of war), *fai'* (booty surrendered by the enemy without actual fighting). However, currently with social, political, and economic developments as well as very dynamic international relations, some of these sources of income are no longer practiced. On the other hand, conventional sources of income are not enough to meet increasing public expenditure, so the *ulamas* support the development of a fair tax system and state efforts to process natural resources besides the development of state-owned industries and services. The government is responsible for preparing the appropriate budget based on a priority scale. In preparing the expenditure budget, the main priority is to realize people's welfare and overcome poverty by fulfilling minimum living standards for citizens, which include clothing, shelter, food, education, and health. In addition, the state budget must also pay attention to economic growth and development, because this is very important for creating jobs and meeting the basic needs of all citizens as well as the progress of the country.

DOI: https://doi.org/10.15408/aiq.v16i1.39503

References

Abu al-Hasan al-Mawardi. (n.d.). *Kitāb Al-Ahkām al-Sultāniyyah*. Beirut: Dar al-Fikr.

Afzalur Rahman. (1995). *Doktrin Ekonomi Islam I*. Yogyakarta: Dana Bakti Wakaf.

'Abd al-Wahhab Khallaf. (1978). *'Ilm Usūl al-Fiqh* (12th ed.). Kuwait: Dar al-Qalam.

'Abd al-Wahhab Khallaf. (2015). *Al-Siyāsah al-Shar'iyyah au Nizām al-Dawlah al-Islāmiyyah fī al-Shu'ūn al-Dustūriyyah wa al-Khārijiyyah wa al-Māliyyah*. Cairo: Dar al-Ghad al-Jadid.

Abdullah ibn 'Abd al-Muhsin al-Thariqi. (2009). *Al-Iqtisād al-Islāmī: Usus wa Mabādi' wa Ahdāf*.

"Al-Siyāsah al-Māliyyah fī al-Iqtisad al-Islāmī". (n.d.). Retrieved from http://thesis.univ-biskra.dz/2374/4/الفصل٪٢٠الثاني.pdf

Effendi, H. (2017). *Keuangan Negara*. Surabaya: Airlangga University Press.

Ghadiban, S. (n.d.). *Nash'ah al-Iqtisād al-Islāmī*. Retrieved from https://aliftaa.jo/Article.aspx?ArticleId=1457#.Y-hXMnZByew

"Hukm al-Darāib fī al-Islām". (n.d.). Retrieved from https://shamela.ws/book/7682/349

Islamic Development Bank. (2008). *Annual Report 1429 H / 2008 M*.

Jamal al-Din Muhammad Mahmud. (1991). *Al-Daulah al-Islāmiyyah al-Mu'āsirah: Al-Fikrah wa al-Tathbīq*. Cairo: Dar al-Kitab al-Misrī.

Kulliyyah al-'Ulūm al-Islāmiyyah, Jāmi'ah Al-Haj Lakhdhar (Ed.). (2013). *Fiqh al-Muwāthanah fī al-Fikr al-Islāmī al-Mu'āshir*. Batanah Aljazair.

Majidi, A. (n.d.). *Al-Māliyyah al-'Āmah al-Islāmiyyah*. Retrieved from http://virtuelcampus.univ-msila.dz/facshs/wp-content/uploads/2016/10/محاضرات-المالية-العامة-الإسلامية-للسنة-الثانية-علوم-إسلامية-ج-٢.pdf

Muhammad al-Muntasir Billah. (2008). *Nizām al-Daulah al-Islāmiyyah*. Lebanon: Dar al-Kitab al'Ilmiyyah.

Nazih 'Abd al-Maqsud Muhammad Mabruk. (2022). Fard al-Darāib fī Dau' al-Sharī'ah al-Islāmiyyah. *Majallah Kulliyah al-Syarī'ah wa al-Qānūn bi Tanta, 37*, 283-285.

"Public Finance". (n.d.). Retrieved from https://www.oxfordreference.com/display/10.1093/oi/authority.20110803100353382

"Revenue". (n.d.). Retrieved from https://www.imf.org/external/pubs/ft/gfs/manual/pdf/ch5.pdf

DOI: https://doi.org/10.15408/aiq.v16i1.39503

Ridwan. (2021). *Buku Ekonomi Publik*. Yogyakarta: Pustaka Pelajar.

Saatçioğlu, B., Sandıkcı, Ö., & Jafari, A. (n.d.). *Poverty and Socioeconomic Injustice in Muslim Geographies*. Retrieved from https://strathprints.strath.ac.uk/54260/1/Saatcioglu_Sandikci_Jafari_Poverty_and_socioeconomic_injustice_in_Muslim.pdf

"Saudi Arabia Personal Income Tax Rate". (n.d.). Retrieved from https://id.tradingeconomics.com/saudi-arabia/personal-income-tax-rate

"ما-حكم-الجمرك". (n.d.). Retrieved from https://binbaz.org.sa/fatwas/24141/ما-حكم-الجمرك

"United Arab Emirates Individual Taxes on Personal Income". (n.d.). Retrieved from https://taxsummaries.pwc.com/united-arab-emirates/individual/taxes-on-personal-income

Yusuf al-Qaradawi. (1973). *Fiqh al-Zakāh*. Beirut: Muassasah Al-Risalah.

Zia al-Din Ahmad. (1989). *Public Finance in Islam*. International Monetary Fund.