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Tithe, Tax and Zakat: A Comparative Analysis

KAREEM Muritala Kewuyemi¹

Department of Arabic and Islamic Studies, University of Ibadan, Ibadan, Nigeria.

kareemmuri@gmail.com kareemuri@yahoo.com

Abstract

Imposition of levy permeates religious and mundane affairs of people; and it takes a significant position not only in the religious affairs but also in the global economy. Many works have been done on tithe, tax and zakat without much attention on comparison. A comparison of them is necessary to weigh the relative impact of each on people. Therefore, the study compares them in the areas such as nature, objective and role. Using inductive qualitative methodology to explore some conceptual frameworks of Christian sources, sources of tax laws and Islamic sources, the paper finds that tithe, tax and zakat are viable means of eliminating poverty for individuals, organisations and economy. Tithe and zakat promise a just humane society for peace and prosperity in this world as an adjunct to salvation in the hereafter. The findings also show the trio are similar in the areas such as guarantee of fulfilment of basic needs, obligations, social, political and economic objectives but their differences lie in areas such as spiritual objective, reformation, heads of expenditure, chargeable items, rates and loss relief. The study reveals that non-*Sharī'ah* compliant products such as liquor and pork which are not zakatable are fit for tithe and tax. The trio can ensure distribution of wealth for empowerment of the less privileged and for provision of infrastructural facilities. Zakat and tithe paid should be allowable deductions in the computation of tax with a view to relieving zakat and tithe payers of double taxation.

Keywords: Tithe, Tax, Zakat, public finance, Islamic Economic System

Introduction

The gap between the rich and the poor exists in every nation on earth. In ancient and modern nations such as Egypt, Babylon, Persia, Greece, Rome and Nigeria, the situation of the poor is not palatable for the rich left nothing of substance for them. The downtrodden faces a myriad of unimaginable problems of poverty. Calling for the care of the poor and feeling for their suffering exist in the teachings of all religions and philosophers. Even man-made laws did not neglect the plight of the poor without catering for it. Legislations and policies were made to assist the less privileged. The heavenly religions encourage and make it obligatory the care for the poor. All the messengers and prophets of the heavenly religions such as Ibrahim (Abraham), Musa (Moses) and Isa (Jesus Christ) did not only mention charity but also enjoined their people to have concern for the poor, the orphans and the widows as contained in the following Quranic and Biblical verses:

¹ He is a Senior Lecturer, Department of Arabic and Islamic Studies, University of Ibadan, Ibadan, Nigeria. He is a chartered accountant (ACA) and holds MBA and PhD in Islamic Economics, Banking and Finance. His teaching and research interests are Islamic Economic System, Islamic Banking and Finance, Islamic Law and Theology and Quranic Studies

Q21: 73; Q19:54; Q2:83; Q5:12; Q19:31; Q98:5 Proverbs 22:13; 22:27; Deuteronomy 15:7-11; Luke 13: 10-14, Mathew 6:1-4, etc.

Tithe, tax and zakat pursue the general interests of people in a society though each does so in a particular manner. The general interests are so important that rational and God conscious people would not abandon them. This is because imposition of tax, tithe and zakat on the rich can ensure distribution of wealth for empowerment of the less privileged ones and for provision of infrastructural facilities. Products and people on whom they are imposed present a very challenging task for scholars due to difference in nature and objective of the tripartite. Therefore, the paper uses inductive and textual analysis methods to compare tithe, tax and zakah in the areas such as nature, objective and role. It takes up points of their similarities and differences from the point of view of Christian sources, sources of tax laws and Islamic sources using comparative subjective method to discuss them from different perspectives. The study is divided into four sections. Section one deals with notes on each of the tripartite, some controversies on them are briefly discussed. The differences and the similarities are discussed in section two. Section three gives implications of tithe, tax and zakat for individuals, organisations and economies. The last section makes recommendations and concludes.

Stylised facts on tithe, tax and zakat

Legitimacy of Tithe

Tithe is defined as the tenth part of agricultural produce or personal income set apart as an offering to God or for works of mercy, or the same amount regarded as an obligation or tax for the support of the church, priesthood, or the like². A number of Biblical verses provide justification for the payment of tithe. Some of them are stated and discussed below:

Tithe before the Mosaic Law.

The Old Testament practice of tithing started with Abraham when he gave a tenth of the spoil of war to Melchizedek as contained in Gen 14: 17-24. Abraham's tithe given to Melchizedek without the latter asking for it was an act of worship and gratitude for giving him victory in his war. The giving was done by Abraham willingly out of a pure desire to express his love, devotion and thankfulness to God of whom Melchizedek was the priest and to whom he ascribed his victory. This type of tithe is considered as free gift without an element of obligation. Therefore, the tithes mentioned in Gen 14 and 28 are voluntary in nature. The implication of this tithe is that everything man has belongs to God and that he is obliged to give God His share everything or part of it because He owns and controls everything.

Another evidence to show that tithe existed before Moses was the cause of Jacob's promise to give the tithe to the Lord to take care of God's house believing God would provide for him (Genesis 28:22 Post 28:18-22). He did practise tithing when he returned home (Gen. 35-27-29). The receiver

²A. S. Hornby, *Oxford Advanced Learner's Dictionary*, (London: Oxford University Press, 2000), p. 1554

of the tithe was not mentioned in these verses. This act may be a yardstick for Christians to give tithe though it may not carry any obligation.

Tithe in the Mosaic Law

In the Old Testament, tithe is seen as a debt to God which must be paid on the land and animals 'And the tithe of the land, whether of the seed of the land or of the fruit of the tree, is the Lord's'(Leviticus 27:30-33). Tithe was also considered as the wages for the services rendered by the priests and Levites in the Text of Meeting of the Lord.

And the Lord spoke unto Aaron, thou shalt have no inheritance in their land, neither shall thou have any part among them. I am thy part and thine inheritance among the children of Israel. And behold, I have given the children of Levi all the tenth in Israel for an inheritance, for their service which they serve, even the service of the tabernacle of the congregation'(Number 18: 20-21). Thus speak unto the Levites, and say unto them, When ye take of the children of Israel the tithes which I have given you from them for your inheritance, then ye shall offer up on heaven offering of it for the Lord, even a tenth part of the tithe(Number 18: 8-32). .

The implications of these biblical verses is that tithe is not seen as a donation but as wages from the Israelites to compensate the Levites at the sanctuary for not having a territorial inheritance in the Promised Land. The latter duly merited the wages they received for guarding the holy place. They had to risk their lives in guarding the place against attackers particularly those who wanted to exterminate people. The tithe they received is neither a privilege nor charity but it is a right. Therefore, the payer was not showing philanthropic gesture to the receiver. It is also noted that the tithe speech from God to Aaron and Moses for people was a command (Deut 26:12, 13, Num 18:20, 21, Levit 27: 34). The tithe givers should know that all the wealth and the land they had had been given to them by the Lord. Therefore, they needed to give the Lord His share in the form of tithe. In Deutronomy 12:14, 26, tithe was meant to support the priests and Levites, the poor and the annual pilgrim festivals in the central sanctuary of the Lord.

Tithe in the New Testament (Christianity)

The New Testament refers to tithing four times³: Mathew 23:23; Luke 11:42; 18:12 and Hebrews 7:5. It is clear from the above-mentioned verses that Jesus neither condemned nor prohibited tithe. He only corrected the attitude and motives of the scribes and Pharisees who emphasised the payment of tithe in the Mosaic Law at the expense of other fundamentals of the law. He encouraged them to continue paying tithe. This means he did not see anything wrong in paying tithe. Considering payment of tithe as a sign of obedience to the law and the context in which it was encouraged i.e. among the Pharisees, may not mean it is obligatory for Christians to pay tithe. The context in which tithe is mentioned shows that following Jesus is more exalted than all the previous prophets. He emphasised free and voluntary giving. Therefore, tithe is one of the ways of practising the principle of giving. The issues of condemnation and curse on the person who does not give

³Ervin Budiselic., The role and place of tithing in the content of Christian giving part 2, *Evangelical Journal of Theology*, vol.ix No.1 2015, p.31-58

tithe are not applicable to the contemporary Christian churches. In the New Testament, there is no systematic way of giving. The acts of giving is contained in Mathew 5:42. Christians could give tithe to beggars, borrowers etc . One hundred percent giving is spoken about in Matthews 19: 16-21, Mk 10:17-22, Lk18:18-23, Luke 21:1-4 and Luke 12: 22, 23 for the sake of charity, of Jesus and for supporting the temple, the workers and the apostles.

In Acts 2:45, the act of giving is extolled when individuals sell all their property and share the proceeds with the needy according to their needs. Of the passages on the act of giving in Paul's epistles, the following verses: Cor. 9:1-23;16:1-4; 2 Cor 8-9; Phil 4:15-20, 2Cor 11:7-9, Gal 2:10;6:6 and 1 Tim 5-6 are very important in the sense that they state the principles of giving such as financial support for church workers, the Jerusalem church, the poor, the teachers, elders and the widows. This was done willingly without coercion and bitterness but from a joyful heart and one's own decision. This is pleasing to God.

It must be mentioned that the New Testament does not provide a systematic teaching about giving. The New Testament has different perspectives, patterns and examples of giving. They are related to some extent with the principles of giving in the Old Testament. However, the basic outlines of giving in the New Testament are different to some extent from the principles of giving in the Old Testament. In the New Testament giving is left to the individuals and their own conscience. The New Testament never mentions a specific amount or a percentage to be given. The New Testament does not provide a uniform model for an amount or a percentage a person is supposed to give; rather there is a great flexibility in the matter of giving. Giving is always people oriented i.e. for elders, the widows, poor believers etc. It is not oriented toward a church building, a program, or a ministry but towards people. The proponents of application of tithe in the system to the contemporary churches put forward the following arguments. Tithe can be used to equip the church. Giving is founded in the belief that God is the Maker of the heavens and the earth, and the sovereign Owner of everything. It expresses and represents the confession that everything which people have belongs to God and that they are obliged to give Him the whole or part of the wealth (1 Cor. 9:13-15)⁴. It was morally right for those who serve the public on a full-time basis to be taken care of by the receiving public. All Israelites were encouraged to think of themselves as brothers regardless of social status or tribal divisions. It was a public expression of the religious good standing and law abiding faithfulness of the worshippers. The guideline for giving to God and His work is found in 2 Corinthians 9:6-7. 'Now this I say, he who sows sparingly shall also reap sparingly; and he who also sows bountifully shall reap bountifully. Let each one does just as he has purposed in his heart; not grudgingly or under compulsion; for God loves a cheerful giver'.

Tax and its Validity

A tax is understood to be a compulsory levy imposed as a liability upon the tax assessee who may be individuals, group of individuals, or other legal entities irrespective of any corresponding return of services or goods by the government⁵. Tax is compulsory contribution levied by a sovereign

⁴ Miracle Ajah, The significance of Pentateuchal tithing as a legal instruction for the 21st century reader, *The Asbury Journal*, 6/2, 2013, p.106-119

⁵H.L. Bhatia, *Public Finance* (Jangpura New Delhi: Vikas Publishing House PVT Ltd, 1995), p.38-39

power on the incomes, profits, goods, services or properties of individuals and corporate persons, trusts and settlements⁶. The benefits of tax may not go to the tax payer. Anybody can benefit from the project or services done through tax. Before the tax is paid, the income of assessee must have reached a minimum amount. Not all commodities are taxable. Taxable commodities are specified by different countries, states and local governments. Some items such as import and export duties may be viewed from different perspectives. For instance, if they are used to raise revenue for government, they are taxes. But if they are used to control the flow of imports and exports, they are not taxes. The base of tax is the legal description of the object with reference to which the tax applies. For instance, the base of an income-tax is the income or salary of the assessee⁷.

A good tax system should follow certain principles in order to achieve the purpose of imposing it. A large number of these principles were laid down by Adam Smith⁸. The principles are equity (taxing taxable people according to their ability), certainty (of the time, manner and amount), convenience (in terms of mode and timing), economy (in terms of cost of collection not outweigh the total proceeds from the tax), productivity (bringing in sufficient revenue to the government), simplicity (simple to understand and administer), flexibility (possible to revise the rates and coverage), etc.

Tax is used to maintain law and order and to provide infrastructural facilities in the areas of health, education, agriculture, etc. and to manage the economy of a nation. Taxes can be proportional, progressive, regressive, direct and indirect⁹. It is proportional if it is charged at a flat rate on total assessable income of a taxpayer say, 10% irrespective of the income. Progressive tax is applying higher rates of tax as income increases. It is regressive if the tax payable decreases as the income of a taxpayer increase. Direct tax is a tax that is accessible directly on the taxpayer i.e. the incidence of a tax rests upon the person who bears its impact. Tax is indirect if the incidence is passed to others i.e. it is imposed on goods, services and instruments before they reach the ultimate consumer, client or owner respectively; and they are paid by them as part of selling price. It must be mentioned that some taxes are shifted to the consumers wholly or partly while the other part is borne by the producer. Tax base is a portion of a taxpayer's income to which the tax applies i.e. it is arrived at after the assessment of tax ability. Tax is different from levies in the sense that the former is a compulsory levy imposed by the government without rendering specific services by government to the taxpayer. While all forms of taxes are levies not all levies such as fines, etc. are taxes. The rules and regulations governing tax are obtained from customary statute, case laws, circulars by Inland Revenue, opinions of tax experts taken judicial notice, budget, constitution, etc.

Legitimacy of Zakat

⁶Enigbokan Femi, Clever Tony, Kajola Sunday, *Taxation* (Lagos: The Institute of Chartered Accountant, 2014), p.2-3

⁷Enigbokan Femi, Clever Tony, Kajola Sunday, *Taxation* (Lagos: The Institute of Chartered Accountant, 2014), p.44-66

⁸Ishola Kamar, *Taxation* (Ibadan: Jimson Nigeria Enterprises, 2001), p.14-16

⁹H.L. Bhatia, *Public Finance* (Jangpura New Delhi: Vikas Publishing House PVT Ltd, 1995), p. 133-160

Zakat is a deduction of certain percentage compulsorily from the wealth of Muslims whose wealth has reached a minimum value called *nisāb*; and it is a form of charity or alms giving¹⁰ Islam has a comprehensive way of dealing with the issue of alms-giving different from what is contained in the other heavenly religions which do not go beyond moral instruction and advice. It is to be noted that precise law or design of charity is replete in the Qur'an and the Sunnah. It enacted changes in the conception and distribution of Zakat and other forms of alms-giving. It does not confine it to the human conscience to give Zakat. It makes recommendation on what to give, when to give and to whom it should be given. It solves the problem of poverty through directives, recommendations and encouragements. It must be mentioned that when Muslims were very few, at the beginning of the Prophet's mission in Makkah, the act of giving, spending and feeding was apparent. This is evident in the revelations to the Prophet when he was in Makkah (Q74: 38-46; Q68:19:3).

The Qur'an urges the handful of Muslims to feed the poor, to spend of the sustenance that God has given to them, to clothe the naked and to help the destitute. Abstinence from helping the poor and encouragement to care for them are regarded as sins; and they can lead the abstinent to hell (Q69:25-34). Harshness to the orphan and neglect of the poor are also regarded as signs of disbelief in Allah and the Day of Judgement (Q107:1-7). Therefore, paying Zakat is to show that people's wealth is not only theirs. A part of it is for the poor as their right (Q15:19-20; Q70:19-25). This shows that the Qur'an has inculcated the act of giving in the early Muslims when the Prophet started his mission in Makkah. During the period of his stay in Makkah, the rate of zakat was not specified by Allah in the Qur'an and the Prophet in his Sunnah. The following verses were some of the revelation given to him when he was in Makkah (Q6:141;30:38-39; 27:1-3; 31:4; 7:156-157; 41:6-7; 91:9; 87:14). Zakat was in the general form of voluntary payment without specifying the amount, rate, recipient, etc. in Makkah. Reference was made to zakat in the speech delivered by Jafar b. Abi Talib, the spokesman of Muslims before the king of Ethiopia explaining the mission of Prophet Muhammad when they were seeking asylum in his town. He said, '... And he ordains us to pray, pay zakat and fast'¹¹

It was in Madinah that the Prophet specified the rate of Zakat on money, farm produce, livestock and minerals. Farmers were left to their whims and discretion to give whatever they wanted and according to the need of the poor in Makkah. When the Prophet got to Madinah, the rate of zakat, items on which it can be paid, the types of wealth on which it can be paid, the conditions for its obligations, those who should receive it were specified after his Hijrah (Migration to Madinah). In Madinah, the Prophet sent some of his companions to collect and distribute zakat. The state then became responsible as an institution for its collection and disbursement. Of all the chapters in the Qur'an that speak about zakat, chapter 9 gives a comprehensive view of zakat. It is mentioned along with other acts such as salat (prayer) and issues in Q9:5 (repentance, testimony, salat and zakat), Q9:11 (zakat and prayers), Q9:18 (establishing and maintaining mosques, salat and zakat),

¹⁰ M. K. Kareem and A. S. Bankole, Zakah, Poverty Alleviation, and Inclusive Growth in Nigeria. *Journal of Islamic Finance*, Vol. 5. No. 2, 2016, p. 53-65

¹¹S. Abul Hasan Ali Nadwi, *The four pillars of Islam* (Luknow: Academy of Islamic Research and Publications, 1972), p. 91-136

Q9:34-35 (hoarders of wealth and their grievous penalty), Q9:60 (recipients of zakat), Q9:71 (protector of one another, mercy of Allah, features of communities of the faithful, tight-fisted) and Q9:103 (commandment and zakat).

After the death of the Prophet, those who denied the payment of zakat used Q9:103 to support their stand that it should be paid to the Prophet; since he had died, they did not need to pay it again. Fighting the rejecters of zakat became permissible because of their rebellions against Allah and for rejecting the third pillar of Islam and the Prophet in order to establish justice on earth. In relation to this, the Prophet is reported to have said: 'I am commanded to fight unbelievers until they testify there is no deity but Allah and Muhammad is the Messenger of God, establish prayer and practise zakat. If they do all that their blood is protected except by the due course of Islamic law and to God is left their reckoning'¹². The implication of this Hadith is that those who refuse to pay zakat must be fought until they pay. Based on this Hadith, when Abubakr became the Caliph, many Arabs such as Musaylamah, the liar, Sajah and Tulayhah who refused to pay zakat were fought by Abubakr. On this, Umar argued that Abubakr should not fight on the basis of refusal of some people to pay Zakat since they believed and observed Salat but Abubakr said, 'By God I shall fight them who differentiate between prayer and zakah. Zakat is the right due on wealth. By God, if they refuse to give one baby goat they used to give the Messenger of God as Zakat, I will fight them for it'. Later, Umar was convinced on the need to fight the rejecters of Zakat because without it the declaration of faith is merely a vaintalk and lip service¹³.

The Sunnah gives the rate, the minimum value (nisab), the kinds of zakatable wealth, the recipients and fast-breaking zakat. It is the third pillar of Islam as can be deduced from the response of the Prophet to the angel Jibril when the latter questioned him regarding the five pillars of Islam. He said 'Islam is to bear witness that there is no deity but Allah and Muhammad is the Messenger of God, to establish prayer, perform zakat, fast Ramadan and make pilgrimage to the House if you can go there'¹⁴. In this saying, zakat is ranked third, once the required knowledge about zakat is acquired, it is allowed in Islam to pay it individually. A Muslim does not need the sanction of a priest before disbursing it to the right people.

Where the Similarities are

To compare tithe, tax and zakat with one another, their similarities and dissimilarities are discussed in this section with a view to seeing the areas where their differences are and where their similarities lie. While doing this, we are not going to delve into different perspectives on each of the tripartite as contained in the books of jurisprudence, denominations and statute of Islam, Christianity and tax respectively.

Guarantee of fulfilment of basic needs for all/elimination of poverty

¹²Yusuf AL Qardawi, *Fiqh Al-Zakah vol. 1* (Jeddah: scientific Publishing Centre, 1969), p.19-22

¹³S. Abul Hasan Ali Nadwi, *The four pillars of Islam* (Luknow: Academy of Islamic Research and Publications, 1972), p.139-140

¹⁴M.O.A. Abdul, *The selected traditions of Al -Nawawi*, (Lagos:Islamic Publications Bureau, 1982), p.23-24

Basic needs of man comprise food, clothing and shelter. They are part of man's strong drive toward self-preservation. Tithe, tax and zakat play important roles in facilitating these needs. When tithe and zakat are given to the poor, they are able to use it to satisfy these needs. Both can be given directly to the poor, the needy, the orphans and the widows to alleviate their poverty. Whatever they are given may be used to start a small business to earn income and thus make ends meet. Zakat, tithe and tax are capable of individually eliminating poverty in society if it is properly and judiciously utilized. During the times of Umar b. Abdul Azeez, zakat was judiciously utilized to the extent that its impact on the people was so successful that there was no one poor person that needs zakat the following year. Everybody was so satisfied that the zakat proceeds had to be kept in the public treasury (*baytul māl*)¹⁵. The multiplier effect of zakat in terms of employment and incomes will eliminate poverty gradually. As some people are empowered through zakat, they are no more receiver of zakat but they may become givers. Tax also performs this role but it is done indirectly. The proceeds of tax are used for infrastructural development in the areas of health, agriculture, education, etc. For instance, when the poor are educated, they may use their education to secure jobs which in turn will earn them an income. The income is then used to meet the basic needs: foods, clothing and shelter.

Reduction of inequalities in income and wealth

The gap between the rich and the poor is getting wider and wider because the rich exercise power and use their means to increase their wealth. The poor are left with nothing of substance. They are forced to obey the rich who use them to increase their wealth. Tithe, tax and zakat are meant to reduce this gap and give bread to the hungry. When the tithe and zakat are given to the poor, they raise their standards of living; and thus the gap between the rich and the poor is reduced. Tax is also used to reduce the gap in the sense that when it is used for infrastructural development, the poor benefit from the projects and their standards of living get improvement. Feeding the poor and spending of the sustenance that God has provided for people are extolled by heavenly religions both in the Bible and the Qur'an (Proverbs 12: 13,22 and 27; Deuteronomy 15:7-11, Luke 13:10-14, Qur'an 15: 19-20, Q70: 19-25, Q30: 38)

Obligation and enforcement

Both zakat and tax are compulsory. It is obligatory for Muslims who own wealth to pay zakat as and when due (Q9:60,103). It is enforceable legally if a person who has the capacity to pay fails to pay it. During the time of the Prophet, the general principle of zakat was given in Makkah without determination of its details. But in Madinah, the details were spelt out (Q9). In relation to those who refused to pay, the Prophet is reported to have said 'He who pays it seeking the reward from God will be rewarded and he who refuses to pay it, we shall take it from him, along with half of his wealth, and by the authority given to us by our Lord, the clan of Muhammad are not allowed to take anything of its proceeds'¹⁶. In the same vein, tax is also compulsory. If people or corporate

¹⁵M. K. Kareem and Y. A. Adetoro, Operation of the Bayt Al-Mal in Saki: Implications for Poverty Alleviation in Nigeria. Islam and Civilisational Renewal (ICR), [S.I.], Vol. 8. No. 2, 2017, p.190-213.

¹⁶Yusuf AL Qardawi, *Fiqh Al-Zakah vol. 1* (Jeddah: scientific Publishing Centre, 1969), p.19-20

bodies fail to pay, they will be sued in the court to recoup the proceeds of tax which they refused or failed to pay. There is also an element of obligation regarding the payment of tithe in the Old Testament as discussed earlier in this paper. While tithe in the Old Testament is enforceable, it is voluntary in the New Testament.

Higher demand on goods and more prosperous society

If tithe and zakat are given to the poor, they improve their purchasing power which leads to a higher demand on goods¹⁷. The effect of this will be more production of goods. It may also facilitate employment generation. Through this, there will be improvement in the standards of living of people in the society because through employment, they earn income. In the same vein, if tax is collected and used to finance many projects in the area of agriculture, health, education, technology, communication etc., jobs created through the projects can give unemployed people the opportunity to get employment. Through the jobs, they earn income and their demand of goods is higher and their standards of living are raised.

Variations in the duration

Zakat is paid on some zakatable items annually. This is called *hawl*, it means the wealth must be with the owner for a period of one year based on the Hadith of the Prophet. “No zakat is due on wealth till one full year passes”¹⁸. The duration of some zakatable items is not up to a year particularly the agricultural produce. The Quran states clearly that its zakat should be paid on the day the harvest is made. It means if it is harvested three times in a year, zakat must be paid three times that year. The Quran states: ‘... But render the dues that are proper on the day of its harvest’ (Q6:141). Zakat on mineral needs to be paid upon extraction. The latter’s flexible period is also applicable to tithe. As regards tax, income tax is paid monthly while company income tax is paid annually. Value added tax is paid every time hourly or less than an hour i.e each time some items are bought.

Social, political and economic objectives

With the exception of spiritual benefits, all the tripartite are used for public expenditure to achieve social, political and economic objectives of a state.

No reciprocity/ no linkage /no returns

Payers of zakat are not expected to expect any returns from their recipients in the form of reciprocity i.e. there is no linkage between the zakat paid and the benefits received. Tithe also has no explicit worldly returns to the giver. In the same vein, there is no way a person can link the tax he paid to the exact benefits he received. In fact, a payer of tax may not benefit at all from the projects his tax is used to finance though the payer may like to see the benefits they can gain from what government has used tax collected for.

¹⁷M.K. Kareem and A. S. Bankole, Zakah, Poverty Alleviation, and Inclusive Growth in Nigeria. *Journal of Islamic Finance*, Vol. 5. No. 2, 2016, p.53-65

¹⁸Muhammad Zulfiqar, *Zakah according to the Qur’an and the Sunnah* (Riyadh: Maktaba Dar-us-Sala, 2011), p.69

Meaning

Literally, zakat means growth, purity, increase etc¹⁹. It is technically refers to the determined share of wealth prescribed by Allah to be given to the poor and other categories stated in the Qur'an²⁰. Tithe is, according to the Oxford Learners Dictionary, a tenth of the goods that somebody produced or the money that people earned, that was paid as a tax to support the church²¹. Technically, it is a tenth of the goods used for religious festival and for supporting the Levites, the poor and the foreigners²². Tax which literally means money that has to be paid to the government so that it can pay for public services is technically defined as 'a form of levy or compulsory transfer of money from private individuals and companies to the government coffers as a percentage of their annual income primarily with the aim of raising revenue and secondarily with the aim of directing the factors of production towards the government objectives for that period'²³. Although, in their meanings, they look similar, there are some differences in their nature.

Ability

Tax, tithe and zakat are paid by those people and corporate bodies that have the capability and the minimum amount of property to pay them.

Where the differences lie

Reformation

Zakat has not been changed or modified since it was required of Muslims by the Qur'an and the Sunnah. The type of wealth from which Zakat falls, the *nisāb*, the payer, the recipients are fixed. Tax has undergone constant development and changes. Tithe is also modified by the church

Collection/Distribution/heads of expenditure

Zakat payer may give the proceeds of zakat to individuals and groups personally or the state may take up the responsibility of collecting and distributing them to the stated beneficiaries in the Qur'an. There are eight categories of recipients of zakat as contained in the Qur'an: the poor, the needy, the collectors, poor new converts, freeing of captives, the debtors, in the way of Allah and the wayfarer (Q9:60). It is not acceptable to add or delete any one from the list. If a zakat payer has the necessary knowledge of the ruler and conditions of zakat, he can freely distribute his zakat

¹⁹J.M. Cowan, *Hans Wehr of dictionary of modern written Arabic* (New Delhi: Modern Language Services, 1960), p.379

²⁰Rahila Awang and Mohd Zulkifl Mokhtar, Technical comparism between zakat and tax on business income in Malaysia, *Malaysia Accounting Review*, vol. 10 no 2, p13-25

²¹A. S. Hornby, (2000). *Oxford advanced learner's dictionary*, (London: Oxford University Press, 2000), p. 1554

²²Ervin Budiselic,, The role and place of tithing in the content of Christian giving part 2, *Evangelical Journal of Theology*, vol.ix No.1 2015, p.31-58

²³Ishola Kamar, *Taxation* (Ibadan: Jimson Nigeria Enterprises, 2001), p. 2

to the deserved recipients. It is not compulsory that a zakat payer gets a middleman or an intervening channel through which he can pay zakat. He can pay zakat by himself to the poor and other categories mentioned without the assistance of any intermediaries. It is like salat, fast and hajj which a Muslim performs all by himself. However, if he does not have what it takes to distribute it by himself, he can pay to the state that will administer and distribute it in line with the rules and regulations stated in the Quran and the Hadith. However, tax cannot be given to individuals personally. The government decides how tax is spent. It is not allowed to collect and distribute tax on individual levels. The states collect and use it the way they like. The choice between choosing zakat beneficiaries personally and collection and distribution of zakat by the state is missing. It is only the state that has the power to collect tax and choose the projects on which it is used. Although tithe is also paid to the church, individuals may be helped through tithe.

Worship

Zakat is a mode of worship for Muslims and it is the third pillar of Islam. It is binding on everyone who has the capacity to pay it. Tithe is a form of charity and an act of giving or showing benevolence on the receivers. Tax is not a mode of worship. It is a man-made system. It is a civil obligation. It is paid by all people who have satisfied its requirements irrespective of religion or race. Muslim businessmen pay zakat if all the requirements for paying it are present. They also need to pay tax liability for a particular year of assessment to their government. Extra duties are added to zakat to meet the needs of the poor if zakat is not sufficient.

Tax avoidance and tax evasion

Taxes are reluctantly paid and the payer look for loopholes and avenues to avoid or evade payment because they are devoid of moral and spiritual content. If tax is judiciously used, some dutiful people and good organizations will undoubtedly pay as and when due. However, many others will still not pay. These two opposing views lead to avoidance and evasion in relation to payment of tax and other compulsory levies. Tax avoidance is the act whereby taxpayer takes a legal course to keep down the amount he has to pay by avoiding buying some goods or using services on which tax is levied²⁴. Other loopholes in the tax laws may also be used to avoid tax or pay the least possible amount of tax. Tax evasion refers to a case in which a person, through commission of fraud, unlawfully pays less tax than the law mandates i.e. it is an offence in the sense that taxable income is reduced using fraud, deceit and other illegal means. This act is illegal and, in fact, it is a criminal offense under federal and state statutes and the perpetrator can be charged to court for criminal offences. If a tax evader is caught, he will be fine or jailed or both²⁵. Both zakat and tithe do not support tax avoidance let alone tax evasion. It is not right in Islam to evade tax. During the time of Abubakr when some people refused to pay zakat, he waged war against them because he considered it as a criminal offence to deny the poor their right. It is a form of worship which should not be avoided let alone evaded because it is the only form of worship that connects a person to

²⁴Ishola Kamar, *Taxation* (Ibadan: Jimson Nigeria Enterprises, 2001), p.4-5

²⁵Joel Slemrod, Cheating ourselves: The economics of tax evasion, *Journal of Economic Perspectives* Vol. 21 No.1, 2007, p. 25-26

another. Whatever is given to the poor is to show gratitude and thankfulness to Allah. The zakat and tithe givers would like to give more so as to get blessings of God.

Rates: flexibility / rigidity

The rates to be paid on zakatable items are different. These rates depend on the types of wealth. For instance, zakat of 2.5% is paid on money, 10% is paid on crops watered by rainfall; and the amount of zakat on farm produce grown with irrigation is 5%. 20% is imposed on treasure trove. A two-year old cow is paid on 30 to 39 cows; A one-year-old sheep or goat is on 40 to 120 sheep or goats to mention but a few²⁶. The rates of 2.5%, 5%, 10% and 20% on liquid asset, irrigated farm, without irrigation and minerals respectively are fixed in Islam. The rates are universal for all Muslims irrespective of their areas. They cannot be changed. In other items particularly modern forms of wealth and income not specifically mentioned in the Quran and the Hadith, the rates are fixed too. Zakat is extended to them after using analogical deduction to place them where they belong in the categories of items on which zakat is paid and the rate in that category is used for the new placed items. No worldly power can modify or change the legalistic structure of zakat on its own. In tax, there are many rates fixed for different incomes. Tax is flexible, the government may change tax rate anytime whenever it is reformed. Other item may be included to original taxable item while some may be discontinued. Original taxable items may be deleted or modified by any government, state, federal or legislative authorities. Their rates may be reviewed upward or downward. For instance, in Nigeria, value added tax was originally 5%; it has been reviewed upwards. In Nigeria, company income tax is 30% of total profit; education tax rate is 2% of assessable profit; withholding tax is 10%; graduated tax rate from 7% to 24% of income of the individual; petroleum tax in Nigeria is 85% of chargeable profit of the year; Natural gas tax rate is 40% etc²⁷. In all the countries, tax rates are not permanent. There are many rates and the rates are changed from time to time as the government of each country decides as can be seen from the Nigerian examples. The rate in the Old Testament is 10% called tithe. This is not compulsory in the New Testament. But in the New Testament, one is allowed to give any amount based on one's desire.

Loss relief

Loss occurs when total allowable expenses are greater than total income or earnings. To get loss relief allowance, individuals or companies that have incurred loss instead of making profit are entitled to current year loss relief and carry forward loss relief respectively for an amount that does not exceed the amount of incurred losses. The loss is set-off against the assessable profits of the following years starting from the year following the year the loss occurs. If it is carried forward loss of a company or an individual, it can be deducted from future profits from the same type of trade in which the loss originally occurred. But if it is current Year Loss Relief, it is limited to

²⁶M.A. Mannan, Effects of zakah assessment and collection on the redistribution of income in contemporary Muslim countries in management of zakah in *Modern Muslim society*.ed Imitiaz, I.A.Imitiaz, M.A.Mannan, M.A. Niaz, A.H. Deria (Jeddah: IR&T). p.50

²⁷Enigbokan Femi, Clever Tony, Kajola Sunday, *Taxation* (Lagos: The Institute of Chartered Accountant, 2014), p.91,265,203,303

individuals and it is allowed to deduct such from the source which the loss occurred²⁸. This is not applicable to Zakat and tithe. In Zakat, it is not from profit that Zakat is deducted. It is from the assets of companies or individuals. Any loss incurred in any year cannot be set-off against the proceeds of Zakat in another year. It deems lost forever. As regards tithe, there is no provision for loss relief.

Incentives

A reduction of tax payment by government with a view to attracting investment with a particular sector or assisting individuals or companies is called tax incentives. The following are some of tax incentives: Capital Allowance and investment in lieu of depreciation on fixed assets²⁹. These reliefs are granted to any person who incurred qualifying capital expenditure during a basis period in respect of assets in use for the purpose of a trade. A company that is given a pioneer status is also exempted from tax payments for a certain period say, 3 years. This is done with a view to increasing the industrial development of a country. Its loss is also set-off in the first year immediately after the end of the pioneer period. Rural investment allowance on capital expenditure is given to companies situated in rural areas. Tax relief is also given for carrying out research and development activities on business. There are different rates of all the allowances of tax concessions given to companies that fulfil the requirements of tax incentives ranging from 10 %-100 % of taxable income³⁰. This is not applicable to tithe and zakat. Zakat and tithe givers are not given any form of incentive. The right of the poor must not be reduced.

Purification

Zakat purifies its payer from miserliness, selfishness and greed. It trains a person to be generous and to give out of love and submission to His command. This is repeated many times in different ways in the Qur'an. If a person can give out of his wealth willingly, he is not likely to embezzle public funds in a wrong way. 'So he who gives and fears God and testifies to the Best, We will indeed make smooth for him the path to bliss. But he who is a greedy miser and thinks himself self-sufficient, and lies to the Best, We will indeed make smooth path to misery' (Q92: 5-10). Not paying zakat means keeping the share of Allah that does not belong to wealth owner. Therefore, mixing one's wealth with the wealth belongs to others particularly the poor brings wrath on the whole wealth. The Prophet said: 'When sadaqah is due on your wealth and you do not pay it, the whole wealth, lawful and unlawful i.e yours and the zakat would be demolished'. The Prophet said: 'fortify your wealth by paying zakat; if you pay zakat on your wealth, you have taken away its evil'³¹. The Prophet also said:

He who acquires wealth by forbidden means then, gives it away as *sadaqah* gets no reward; the sin remains on him³². Verily Allah the exalted is pure. He does not accept but that which is pure. Allah commands the believers with what He commanded the Messengers. Allah,

²⁸Ishola Kamar, *Taxation* (Ibadan: Jimson Nigeria Enterprises, 2001), p.8,87

²⁹ Ishola Kamar, *Taxation* (Ibadan: Jimson Nigeria Enterprises, 2001), p.8-11

³⁰Enigbokan Femi, Clever Tony, Kajola Sunday, *Taxation* (Lagos: The Institute of Chartered Accountant, 2014), p.204-206

³¹Yusuf AL Qardawi, *Fiqh Al-Zakah vol. 11* (Jeddah: scientific Publishing Centre, 1969), p.172

³²Yusuf AL Qardawi, *Fiqh Al-Zakah vol. 1* (Jeddah: scientific Publishing Centre, 1969), p.172-173

the Almighty has said: ‘O you Messengers! Eat of the good things and act righteously’ (Q 23:51-53). And Allah, the Almighty also said; Oyou Who believe! Eat of the good things that We have provided you with’ Q2:167-172. Then he (the Prophet) mentioned the case of the man who, having journeyed far, is disheveled and dusty and who stretches out his hands to the sky (saying); O Lord! O Lord! (While) his food was unlawful, his drink was unlawful, his clothing was unlawful, and his nourished with unlawful things, so how can he be answered?

When zakat is given to the poor, the latter has love and pray for the giver. Zakat removes hatred from the minds of the recipient against the giver. Therefore, as the rich show kindness to the poor, the latter reciprocates by showing love and concern for the rich. However, ill-gotten wealth is not purified by zakat. Zakat purifies its payer’s wealth because what does not belong to him has been removed. This is not the intention of tithe and tax.

Belief (God’s blessings here and rewards in the hereafter)

Muslims believe that by giving or paying zakat, their wealth will increase in this world because Allah will shower them with more blessings and make their wealth grow in multitude. In the hereafter, their belief is that abundant rewards await them (Q2: 261-262, 274, 277, 57:18, 30:39). ‘Indeed, the men who practise charity and the women who practise charity and they who have loaned Allah a goodly loan, it will be multiplied for them, and they will have a noble reward’ (Q57:18).

This is also applicable to the giver of tithe.

Year by year, you shall set aside a tithe of all the produce of your seed, of everything that grows on this land... At the end of every third year, you shall bring out all the tithe of your produce for that year and leave it in your settlements so that the Levites, who have no holding or patrimony among you and aliens, orphans and widows in your settlement may come and eat their fill. If you do this the Lord, your God, will bless you in everything to which you set your hand’ (Deuteronomy 14:22-29).

‘Then he said to his host when you are having a party for lunch or supper, do not invite your friends, your brothers, or other relations or your rich neighbours, they will only ask you back again and so you will be repaid. But when you give a party, ask the poor, the crippled, the lame, and the blind and so find happiness for they have no means to repaying you, but you will be repaid on the day when good men rise from the dead’ (Luke 14:12-14)

However, such belief is not in the mind of payers of tax. In fact, their notion is that their wealth is reduced through tax payment. The belief that if they fail to pay, they will experience calamity and a deplorable end in this world and a dreadful sequel in the hereafter is not there at all.

Certainty for the payer and stability

Of all the three, Zakat provides more certainty than any of the other two in terms of its fixed rate, objective, beneficiaries, inalterability, amount of payment, time of payment and the heads of expenditure. All these are clearly spelt out in the Books of Islam more than 1000 years ago (Q9). This is because of the divine origin.

Totality

Tax is imposed on wealthy people and the income of companies. It knows no bound in terms of race, religion and ethnics. Jews, Christians, Muslims and other adherents of other religions pay tax irrespective of their race and ethnics i.e., everybody is involved in as much as one has what it takes to be included. However, zakat and tithe are paid by Muslims and the followers of Jesus and Moses respectively.

Progressivity and proportionality

A progressive tax i.e. a larger percentage is paid on the income of wealthy individuals and firms in form of tax than is taken from the income that is lower. Tithe does not have this characteristic. Both zakah and tithe are proportional in nature particularly zakat. Irrespective of the amount a payer may have, the payer pays 2.5 % of his income.

Prevention of corruption and bribery

Ill-gotten wealth is not zakatable. It means the person will not be able to perform the third pillar of Islam; he may not have prosperity in his wealth in this world. In the hereafter, instead of getting rewards, heavy punishment is awaiting him. Therefore, Zakat will prevent conscious Muslims from misappropriating the funds of others including public funds because they know that doing that attracts punishment even if they pay zakat. Tithe may also be viewed from this perspective. However, this is not applicable to tax. A business owner must pay tax in as much as he makes profit irrespective of the sources of his wealth.

Items on which tithe, zakat and tax are paid

Both tithe and zakat are levied not only on money, but also on commercial goods, agricultural produce, livestock, gold, silver, etc. However, tax is paid in monetary terms only.

***Nisāb* (the minimum amount of wealth that is subjected to zakat).**

Nisāb is the minimum amount of wealth subjected to zakat or tax. Before zakat is paid on money and other items, they must reach minimum value. For instance, the *nisāb* for liquid money is two hundred silver dirhams or for gold at 20 mithqals, (1 mithqal is equal to 1 dinar and 1 dinar equal 10 dirhams). The *nisāb* for camel, sheep and cattle is 5, 40 and 30 respectively Five wasqs of grain, fruits, or agricultural crops are their *nisāb*³³. The issue of minimum value is also applicable to tax. Tax is paid after deducting allowable expenses. The chargeable income is taxed if it attains the minimum value. Tithe does not have *nisāb*. It can be given on anything that has value no matter how small. An example is contained in this Biblical verse: 'He looked up and saw the rich people dropping their gifts into the chest of the temple treasury, and he noticed a poor widow putting in two tiny coins, I tell you this, he said, 'This poor widow has given more than any of them, for those others who have given had more than enough, but she, with less than enough, has given all she had to live on' (Luke 21:1-4).

³³M.A. Mannan, Effects of zakah assessment and collection on the redistribution of income in contemporary Muslim countries in management of zakah in *Modern Muslim society*.ed Imitiaz, I.A.Imitiaz, M.A.Mannan, M.A. Niaz, A.H. Deria (Jeddah: IR&T). p.50

Spiritual objectives and Divine assurance

Spiritual objectives are attained only through religions. Zakat is ordained to cleanse the giver's heart of selfishness, conceit and wickedness. Allah then promises growth with charity when he says in the Qur'an:

And that which you give in *Ribā* in order that it may increase from other people's property, has no increase with Allah, but that which you give in Zakat seeking Allah's face, then those they shall have manifold increase" (Q30:39). Those who eat *Ribā* will not stand (on the Day of Resurrection) except like the standing of a person beaten by Shaytan leading him to insanity. That is because they say, "Trading is only like *Ribā*", whereas Allah has permitted trading and forbidden *Ribā*. So whosoever receives an admonition from his Lord and stops eating *Ribā*, shall not be punished for the past; his case is for Allah to judge. But whoever returns such as the dwellers of the fire-they will abide therein forever (Q2:275)

Zakat has divine assurance that its payments though it reduces wealth, it makes wealth grow i.e. wealth will never decrease as a result of zakat. Tithe also has the same stand. There is no such Divine assurance for tax. It is also not meant to purify and sanctify its payer.

Obedience

A person or corporate body that pays tax is obedient to the authority or the state that imposes it. If a person fails to pay tax, the state may fine him or seal his factory. He may also be given an extension of time to pay. An element of reluctance and rancour is present in all taxes. This is because it is not from God. It is a man-made affair. Tax payer is not sure of how tax is used. It may be spent on vain luxury and ostentation. A few privileged sections of the society may be the one to pocket a larger part of tax proceeds. Tax proceeds realized from workers, traders etc. are expended on maintaining the ruler, the national assembly while the poor are languishing in abject poverty. Muslims obey Allah and give Him His share through zakat for He endows man with everything he uses to earn income and amass wealth. In fact, He is the Owner of wealth man ignorantly ascribed to himself. He only gives control of wealth to man for a limited time and in a limited way. The Qur'an states this in Q24:33. It is clear from the above-mentioned Quranic verses that all the things man considers his own property, in reality, belong to God, the real Owner. Therefore, to give Allah a small share of man's wealth should not be difficult for him. He should not even be boastful that he has spent so much on the poor because in the first instance, he is not the real owner, he is just a trustee. By giving zakat he has shown that he is a true obedient servant and trustee; and he avows and declares that he has submitted to Allah and surrendered his rights to Him who takes back what He has bestowed on him. Therefore, zakat payers are urged to cultivate spirit of piety, modesty, sincerity and humility because they are not the real owner of the wealth. They are urged to avoid what can render their zakat useless and make Allah consider them disobedient servants (Q2:262-264, 267). Tithe is also to show gratitude and thankfulness to the Giver.

Assessment of zakat tithe and tax

Tax is paid on income of the company after allowable expenses have been deducted from the profit. If the company does not make profit, it will not pay tax. However, zakat is paid on the assets of the company. The assets and liabilities of the company are taken from the statement of financial

position. Zakat is paid if the working capital is positive and the excess reaches *nisāb*. This is not applicable to tithe.³⁴

Moderation

Payment of zakat takes pride in its balance and moderation. It is neither too little nor too much. Islam takes middle-of-the road course on some specific items and allows charity to be given to the needy voluntarily in the form of *sadaqah* (charity). The rates of zakat are very low compared to tax and tithe. Zakat is paid on selected items. The scope of tax and tithe is larger than the items covered by zakat. However, voluntary giving can be done on any other *Sharī'ah* compliant items

Time bared payment

Under the *Sharī'ah*, zakat as a mode of worship must be paid even after the death of a person if he had not paid it before his property is distributed as inheritance to his heirs. A person may not pay previous tithe and tax after the expiration of a specific period.

Sources

Zakat derives its validity from the Qur'an and the Sunnah. Some verses on zakat are Q30:38-39, Q27:1-3, Q31:3-5, Q7:156, Q41:6-7, Q74:40-44, Q68:17-33, Q9. Tithe, on the other hand derives its legitimacy from both the Old and New Testaments. The contributions of man to the issue of fixing, distributing and using tithe are significant. Tax laws are derived from customary laws, statute laws, case laws, circulars issued by the Inland Revenue, opinions of tax experts and authors judicially noted by the courts, budget and the constitution³⁵.

Lawfulness or legality

Zakat is paid on *Sharī'ah* compliant products only. Non-*Sharī'ah* compliant products such as pork, liquor, proceeds from pornography and prostitution are not zakatable items (Q17: 23; Q5:90-95; Q2:) Tithe is paid on any commodity in as much it has value or is consumed. It is paid on non-*Sharī'ah* products such as pork and liquor. Tax is paid on any commodity or services that is in line with the constitution, statute and other relevant tax laws.

Residence/relevant tax authority

To determine the relevant tax authority (i.e. the person or body of persons that impose tax on income of individuals or corporate bodies), where the person or the company is situated is very important. Residence determines the tax authority to which individuals and corporate bodies would be liable to pay their taxes. A resident individual is a person who is domiciled in a country for a larger period in that country and also derives his income in that country or a person serves as a diplomat in a country. His tax is paid to his country. If it is an individual working for the Federal Government, the state in which the person is getting his income will be his tax authority. There are some taxes that are paid to the federal government. They are company income tax, petroleum

³⁴Muhammad Zulfiqar, *Zakah according to the Qur'an and the Sunnah* (Riyadh: Maktaba Dar-us-Salam, 2011), p.

³⁵Enigbokan Femi, Clever Tony, Kajola Sunday, *Taxation* (Lagos: The Institute of Chartered Accountant, 2014), p. 9-11

tax, value added tax, education tax, capital gains tax, personal income tax of members of the armed forces, etc. State governments collect Pay As You Earn (PAYE), withholding taxes on individuals, Capital Gains Tax on individuals,³⁶ etc. As regard Zakat, these rules of residence are not applicable. They can be given to the poor people in the areas where it is collected if poor people or any of the categories of the recipients of Zakat are there. Otherwise, it may be taken to another state or countries if there is no one who has satisfied the rules of distribution of zakat in that state. However, tithe does not have specific rules on this. It may be given to the poor in the area where it is collected or taken to other areas.

Double taxation

Double taxation is when an income is taxed twice, first in the country where the income is realised and the second where the income is received. This is the meaning of double taxation. There may be agreement between two or more countries to resolve the issue of double taxation by giving relief to the companies or individuals that suffer the issue of double taxation. Some countries have double taxation agreement with others. They give allowances for a company that has paid tax in a country by reducing the tax liability of the company with the tax paid in the other country when the income is brought to the home country³⁷. However, the issue of double taxation is not limited to two or more countries, it can occur in a country. An example is where the same income is subjected to two different forms of tax. For instance, if a Muslim or a Christian who has to pay zakat and tithe respectively is made to pay tax on the same income, he is suffering from double taxation palaver.

Punishment here and in the hereafter

The Messenger of God, (p) said:

He who is given wealth by God but he does not pay its *zakat*, that wealth is made for him, on the Day of Judgment, the form of a huge bald serpent with two horns, encircling that person and squeezing him all day, then holding him by lips telling him, 'I am your wealth, your treasure that you hoarded'. The Prophet said: 'He who owns gold and silver and does not pay the dues on them they will be made, on the Day of Judgment, like sheets heated by the fire of Hell. His front, back and sides will be ironed with these sheets on a day which is as long as fifty thousand years, until judgment is given to all human beings and he will be shown his way to the Garden or to the Fire. He who owns cattle or sheep and does not give their dues, they will be brought on the Day of Resurrection to stamp on him with their hoofs and pinch him with their horns. When the last one finishes with him the first will be brought again to continue that stamping and pinching until God gives judgment to all his servants, on a day that is as long as fifty thousand years of yours. Then he will be shown his way to the Garden or to the Fire. The Prophet said: There is no people who do not pay zakat, left without being made to suffer by God through disasters or famine or drought³⁸. The Prophet

³⁶Sobande David, Owoyele Olusola and Egbedina Olayida, *Advanced taxation* (Lagos: The Institute of Chartered Accountant, 2014), p.237-248

³⁷Enigbokan Femi, Clever Tony, Kajola Sunday, *Taxation* (Lagos: The Institute of Chartered Accountant, 2014), p.290

³⁸Yusuf AL Qardawi, *Fiqh Al-Zakah vol. 1* (Jeddah: scientific Publishing Centre, 1969), p.19-20

said: 'I have been commanded to wage war against the people until they testify that there is no one worthy of worship save Allah and Muhammad is His Apostle, and establish salat, and pay the zakat if they do so, they obtain the security of life and prosperity from me except for the rights of Islam, and their account is with God³⁹. He also said: Whoever gives it (zakat) seeking reward will be rewarded for it. Whoever refuse, we will take it along with a half of his camels, according to the command of our Lord. It is not permissible for the family of Muhammad to have any part of it (zakat)⁴⁰.

In the Old Testament, the punishment for giving helping hands is denial of a person's request such as 'If a man shuts his ears to the cry of the helpless, he will cry for help himself and not be heard' (Proverbs 22:13). 'The kindly man be blessed for he shares his food with the poor' (Proverbs 22). He who gives to the poor will never be in need and he who prevents the poor and turns his eyes away from him will have my wrath (Proverbs 27). As regards tax, there are provisions for payment of penalty by any company who fail to pay tax as and when due. If a taxpayer has committed or is guilty of fraud, wilful default or neglect in connection with the tax assessed, he shall be liable to a fine or imprisonment depending on the type of offence. The penalties are decided by each country through their constitution, statute etc. For instance in Nigeria, a taxpayer proved to be guilty of connivance is liable to one hundred thousand naira or imprisonment for two years or both. Tax penalties are limited to this world.

Tithe, tax and zakat: Implication for individuals

Many people irrespective of their religion, ethnic and gender have been suffering from poverty. Many could not make ends meet let alone empower themselves. Their means of livelihood are not enough to meet their consumption. The financial distress of people can be checked through Zakat, tithe and tax. If the wealthy pay Zakat and tithe with the commitment of their religion, the less privileged people will be able to get enough resources to take care of their sustenance. The excess they have after meeting their basic needs from the proceeds of zakat and tithe may be used to start a small business; through that, they may be out of poverty. They too will have the opportunity of giving the other less privileged people charity to alleviate their sufferings. However, if their affairs are not well catered for, they may make life difficult for well-to-do people in the society. They may become armed robbers, assassins and cause unrest. So, if tax is used to take care of infrastructural facilities in the area of education, health, agriculture, etc., they will be able to benefit from those sectors, and also use the education they received at low cost to empower themselves. If they are not taken care of, their behaviours may make environment difficult for businesspeople and the economy.

Tithe, tax and zakat: Implication for organisations

As individuals particularly the downtrodden are fed and empowered, business organisations would get people to buy their products and thus their income is increased. This in turn may create an

³⁹S. Abul Hasan Ali Nadwi, *The four pillars of Islam* (Luknow: Academy of Islamic Research and Publications, 1972), p. 138

⁴⁰Muhammad Zulfiqar, *Zakah according to the Qur'an and the Sunnah* (Riyadh: Maktaba Dar-us-Sala, 2011), p.55

avenue for them to increase their production. The increase may necessitate employing more hands. The unemployed but employable people also will get jobs to do. This will earn them income and also raise their standards of living. As the business organisations are getting increase in income, their operations are expanded. They will be operating in a conducive environment because the satisfied employees will work towards the progress of the source of their income. They will protect it from distress and liquidation. They will not shut down their firms because of acute financial problems. This is because there is market for their products. If the poor are not taken care of, distress can creep into many organisations; and if it is persistent, the organisations may become bankrupt which may lead to their liquidation. But if the poor have been taken care of, they will be able to buy the products of the organisations. The positive effect of getting consumers for their products is that the organisations will not have difficulties in meeting their obligations such as payment of salaries and debts. The company will also be able to pay taxes and the workers who are likely to be Muslims or Christians will also pay Zakat and tithe. This will help the growth of the company and economy.

Tithe, tax and zakat: Implication for economies

If these three impositions of levy are well managed, an economy will be able to meet its financial obligations. Its earnings will be greater than its expenses. The effect is directly and indirectly passed to individuals and organisations. People receive their salaries and other entitlements as and when due. Their standards of living of the citizens may get significant improvement. It is clear that proper management of these three levies and judicious use of them will have multiplier effects not only on individuals, but they will have positive impacts on organisation and economy.

Recommendation

Since Muslims have to make two compulsory payments levied on the same source of income every year, namely income tax and zakat, it is recommended that any zakat which is paid by individuals and companies to State Islamic Religious Councils should be granted as an allowable deduction in the computation of the incomes and corporate taxes to ease their financial burdens and to serve as an incentive for Muslims to pay zakat and to relieve them from the burden of double taxation on the same income. The same thing should be extended to tithe payers. Using market rate to evaluate the items in the financial position of the individuals and organisations is recommended so as not shortchange the poor. This is because using historical cost may not be appropriate in a time of rising prices. Proper and judicious use of the three will have multiplier effects not only on individuals but also on organisations and economy. Adoption of the trio can go a long way in ensuring the basic needs of the poor.

Conclusion

These tripartite ensure that the rich do not become poor and the poor cease to be poor. There is an obligatory claim on the property of the wealthy in favour of the poor through the tripartite. This helps increase the purchasing power of the poor and raises their prosperity to consume. The resultant effects are economic growth in consumption, expenditure and aggregate demand.

Individual companies with bigger savings will contribute more than those that have lesser savings. The poor people and the companies that are incurring losses in their businesses are exempted from these obligations of the tripartite. Although various denominations have different perspectives to the payment of tithe based on the Biblical teachings in the Old and New Testaments, both are not against the act of giving. While the Old Testament considers it obligatory, the New Testament encourages the act of giving. Payment of tithe and zakat shows a public expression of religious good standing; and paying tax as and when due indicates good citizenship of its payer. Our conclusion is that tithe, tax and zakat have the capability of eliminating poverty and providing sustainable economic growth and development. Through comparison, we were able to elaborate the three in order to throw more lights on them. Through the trio, there will be a self-supporting society and fulfilment of the basic needs of the poor.

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