

Islamic Economics Model in Federal Constitution

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Law is best viewed as a social tool that promotes economic efficiency. Therefore, some economists believe that the law and the economy interact in many ways. Private law assists individuals and groups who are willing to enter into agreements in a free market, while public law such as zakat law seeks to correct the outcomes of a free market system by means of economic and social regulation. Therefore, economists themselves should be informed about the legal environment in which economic activities must be conducted, while lawyers should be aware of the economic effects of legal rules and the expected outcome under a different legal origin.

Article VIII (Finance Division), the Federal Constitution specifically deals with the national finances. This provision explains the state's finances according to government level. As provided in item 97 (1) of the Federal Constitution, the Federal government may obtain tax and non-tax revenue. Examples of tax revenue are income tax and corporate tax. Examples of non-tax revenue are stem duties, export duties and oil royalties, and dividends of government-linked companies. These revenues are combined in the Consolidated Fund.

While the state government as set out in Article 97 (3) of the Federal Constitution allows the state government to collect revenue from zakat, ma'adin, Baitulmal or similar Islamic religious revenues. These revenues are consolidated in Baitulmal funds other than the Consolidated Fund.

Therefore, Article 97 (3) of the Malaysia Federal Constitution clearly mentions the component of the Islamic religious revenue. The provision shows that the sources of revenue to finance government spending are not limited to zakat, but it covers other Islamic religious revenues such as charity, waqf, vows, and leftovers. But these revenues are not listed in the enactment of the Islamic Religious Council.

Article VIII clearly demonstrates the dualism of the economic model, in particular provision 97 (1). This is not surprising because of the influence of the colonialists in drafting the provisions and the views of economists at that time pioneered by British economist John Maynard Keynes. His view is that government spending is financed through tax and non-tax revenue. If the proceeds are not sufficient to finance the expenses, then the government can owe it through provision 98 (1). This debt is specifically charged with interest rates. Provision 97 (3) specifically lists the types of revenue receipts known as Islamic Religious Funds and may be collected by the state government. This revenue is consistent with the view of Islamic economist Abu Ubayd. This is a major feature of the Islamic economic model.

The provision clearly places the Consolidated Fund and Islamic Religious Revenue in the same position. At the very least, this provision brings good news to the implementation of Islamic economics. However, this provision has existed for over sixty years, but the revenues are not considered as a national agenda. Nor is it a state agenda.

If the state is experiencing a deficit budget, the Islamic Religious Revenue will not be a liquidator. The state law also provides for the same conditions. For example, provision 86 (3), the Selangor State Law clearly states that once again the Islamic Religious Revenue is separate

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from the Consolidated Fund. The state budget deficit was financed partly by debt from the federal government.

It should be, the revenue of this Islamic Religious Revenue is the key to the fiscal management of the Federal or state and thus towards transforming federalism.

The more efficient fiscal management of the state will result a good outcome if the Islamic Religious Revenues are expanded. Classical Islamic economists have listed some revenues such as zakat, charity, waqf, head tax (al-jizya), land tax (kharaj), abandoned property (luqatah such as inactive savings), and estate deposits.

Today, it is difficult to believe in this situation, but that is the fact that the state government has the power given by the Federal government to manage the Islamic Religious Revenues. However, the Islamic economic model is separate from the Federal and state agenda. Just because the reasons for the provisions of the Federal Constitution and State Laws have existed for over sixty years and the state has no power to change it.