

## FISCAL POLICY IN AN ISLAMIC PERSPECTIVE

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**Abstract :** *Fiscal politics are rules that aim to manage government income and expenditure in order to stabilize and encourage economic development. The instruments of monetary regulation are state income and expenditure. Every year, the government prepares a provincial income and expenditure budget which is given to the DPR for approval as the APBN. If economic development has a significant influence on the fiscal politics implemented in the APBN. Fiscal politics was born from awareness of the impact of state income and expenditure. This monetary rule is included in the discussion of Islamic economics. In Islamic economics, monetary rules were already well known during the time of the Prophet and his companions. Islamic economic ideas already existed during the Islamic regime of Medina and included ready-made ideas that could only be used as an alternative to the modern financial system. Accepting classical Islamic financial concepts without reconstructing them in modern situations only turns back time to simpler times. Recognizing zakat as the basis of Islamic finance and then rejecting taxes only leads to the ideal of Islamic finance.*

**Keywords:** Fiscal Policy, Islamic Perspective

### INTRODUCTION

Every year, the government forms a provincial income and expenditure budget which is submitted to the DPR for approval as the APBN .(habibah 2020) If economic developments have a significant influence on the fiscal politics implemented in the APBN. This fiscal politics was born from awareness of the impact of state revenues and expenditures. This monetary rule includes a discussion of Islamic economics.(handayani 2023) At the time of the prophet and companions, monetary rules were known in Islamic economics. Next is a journal that discusses monetary policy from an Islamic perspective, consisting of the understanding of monetary rules, the history of monetary rules, the differences between Islamic monetary rules and traditional monetary policy, as well as management of Islamic monetary rules.(heru 2022)

## RESEARCH METHODOLOGY

The methodology for writing this journal is based on a qualitative library research approach using relevant books and literature. The author then studies the collected sources, draws conclusions from them, and explains monetary policy from an Islamic perspective.(khalida 2023) The purpose of this article is to explore monetary policy from an Islamic perspective.

## DISCUSSION

### A. Understanding Fiscal Policy

Fiscal policy is an economic policy in which the government makes the economy better by changing its income and spending. Fiscal policy is the government's policy in taking taxes and spending these taxes to finance economic activities. Fiscal policy is a government policy that regulates all government revenues and expenditures which are used to maintain economic stability and encourage economic growth.(markavia 2022)

Fiscal policy is the government's policy in spending its income to achieve economic goals.(miskiah 2022) Fiscal policy has two instruments. The first is revenue policy which is reflected in taxation policy, and the second is expenditure policy.(mubarok 2021) Both systems are reflected in the national budget. Fiscal policy actually depends on two instruments: revenue and expenditure.

### B. History of Islamic Fiscal Policy

#### 1) Fiscal Policy of the Prophet's Period

Fiscal policy during the reign of the Prophet SAW was the first government in the five cities of Medina. At that time, the country did not have any wealth because there were only a few sources of state income.(nafia 2021) At the beginning of his reign, the prophet carried out all his activities in good faith as part of his existing da'wah activities.(Nizar 2017) The Battle of Badr in the 2nd

century began to generate revenue for the state. Sources of income during the time of the Prophet were divided into three main groups: Muslims, non-Muslims, and from other sources.

From the Islamic group, it consists of alms such as Zakat, Ushr, Zakat Fitrah, Waqf, Amwar Fadla, Nawaib, and of course sacrifice and Kafarat. Ushr is an import tax imposed on all traders, only paid once a year, and only applies to goods worth more than 20 dirhams. Because there was a peace treaty between them, Ushul was also taken from disloyal Zumi traders who crossed the border and from Ushul, one of their key figures. During the time of the Prophet, Zakat and Ashur were the most important state revenues. These two types of income are different from taxes and are not treated like taxes. Amwar Fadla is the property of a Muslim who died without heirs or left the country. Nawaib is a large tax imposed on Muslims to cover government expenditure when necessary.

For non-Muslims it consists of Jizya, Haraj, and Ushr. Jizya is a tax paid by non-Muslims, especially followers of Islam, to guarantee freedom of life, property, worship, values, and refusal of military service. Kharaj (property tax) is a tax policy imposed on agricultural land in developing Islamic countries.

These funds come from other sources, including loot, money, ransoms, gifts from leaders and other countries, and loans from Muslims and non-Muslims. Ghanima is wealth that unbelievers obtain through war, and fae is wealth that is not obtained through war.

During the time of the Prophet, government expenditure amounted to 4 main items, such as defense spending, distribution of Zakat and Ashur to eligible people, payment of civil servant salaries, payment of state debt, and assistance to travelers. Meanwhile, secondary schools were used to support religious students in Medina, host religious representatives and tribal emissaries, provide gifts to other governments, or pay off the debts of people who died in poverty. (Nizar 2018)

To control the sources of state income and national production sources, Rasulullah handed them over to Baitulmal by observing the principle of a balanced budget. This means that all income is used for government purposes. Expenditure.

The main points of monetary policy relate to determining the subject and target of payment of obligations, and Kharaj, Zkat, Ushr, Jizyah and Kafarat, including the minimum amount of the obligation subject (Nisab), the age of the subject and also including the amount of determination Subject to import (transportation) duties and duties enter.

## 2) Friends' Fiscal Policy

### a) Leader Abu Bakr Ash-Sidiq (51 SH- 13 AH/ 573-634 AD)

Abu Bakar's steps in perfecting the Islamic economy:

- 1) Pay attention to the accuracy of Zakat calculations.
- 2) Development of Baitulmal and the person in charge of Baitulmal (Abu Ubaydah)
- 3) Implementation of the balanced budget policy concept at Baitulmal.
- 4) Prosecution of parties who do not pay zakat and taxes.
- 5) As an individual, Abu Bakar was the executor of the trade agreement.

### b) Leader Umar Bin Khatab (40 SH-23 H/ 548-644 AD)

Umar's contribution to the development of Islamic economics:

- 1) Restructuring Baitulmal with the establishment of the first Islamic diwan (office in charge of paying military allowances, pensions and other benefits) called al-Divan.
- 2) The government is responsible to the people.
- 3) Diversification of zakat objects and phrases. Development of agricultural USHR (taxes) (e.g. agricultural production tithe levy)
- 4) Land reform law
- 5) Grouping of state income in distribution:

<b>SOURCES OF INCOME</b>	<b>EXPENDITURE</b>
Zakat and ushr	Distribution for local if redundant is saved
Khums and sadaqah	Poor and poor welfare
Kharaj, Fay, Jizyah, ushr, Rent	Pension fund, fund loan
Income from all source	Worker, child care neglected and social funds.

Leader Usman Bin Affan (47 SH- 35 AH/ 577-656 AD)

At the beginning of Uthman's reign, he attempted to continue and develop the policies of Caliph Umar. During his six years of leadership:

- 1) Water development
- 2) Establishment of a police force to maintain trade security.
- 3) Building courts to enforce the law.
- 4) The policy of the Persian kings and its consequences in distributing large areas of land to individuals increased from 9 to 50 years compared to the time of Umar.

c) Leader Ali Bin Abi Talib (23 SH-40 AH/ 600-661 AD)

Caliph Ali had a clear vision regarding government and general administration.(nizar2018) This concept is explained in his famous letter, which explains the duties and responsibilities of the supreme power in exercising jurisdiction, controlling senior officials and employees, reducing the income of administrative staff, securing financial officers, etc.

Policy changes made during the time of Caliph Ali included:

- 1) The allocation of all Baitulmal's existing income is different from Umar's allocation which forms reserves.
- 2) Naval spending was reduced.
- 3) There is a budget reduction policy.

### **C. Differences between Islamic and Conventional Fiscal Policies**

#### **1. Islamic fiscal policy**

During the time of the Prophet, the revenue side of the Islamic APBN consisted of kharraj, zakat, khums, jizyah, and other revenues, namely from kaffarah (fines). Monetary policy in Islam aims to create economic stability, high levels of economic growth, and equal distribution of income, as well as other goals included in Islamic rules, namely that Islam adheres to equality and democracy is placed on achieving goals approved by the government.(Nizar 2022) In Islam, the concept of happiness is very broad and includes not only spiritual progress with an emphasis on material possessions, but also life in this world and the afterlife.

#### **2. Conventional Fiscal Policy**

In the APBN structure there are several methods used to collect government operational funds, including business activities, such as the establishment of BUMN, income tax, sales tax, land and building tax without differentiating between the form of business and the method of borrowing money.

The goal of conventional monetary policy is the concept of welfare, namely obtaining the greatest benefits for individuals throughout the world.(Nizar 2024) Nothing is given to society to satisfy man's spiritual needs.

### **D. Islamic Fiscal Policy Management**

Islam uses funds obtained from taxes only for essential expenses and distributes them back to society in a correct and honest manner. Islam prohibits government employees from using state facilities for themselves and their families, unless it is related to government duties.

In fiscal policy, apart from taxes, Islam also has a core Islamic teaching, namely Zakat.(Nizar 2024) Islam regulates almsgiving and requires rich people to pay zakat. Zakat is a means of purifying oneself and one's possessions. Therefore, basically human wealth belongs to other people who must be given away.(oktaviani 2024) The state has the right to take zakat and distribute it to

those who are entitled to it, force those who are unwilling to pay zakat, and remind those who are obliged to pay zakat.(rakhmawati 2020)

To solve this problem, the state can make laws and form institutions tasked with solving this problem.(rakhmawati 2019) He must also maintain the mandate (management of Zakat) and pass it on to those who are entitled to receive it, as well as prevent all forms of injustice and prohibited practices in Islam such as hoarding, high prices and wasteful practices.(rakhmawati 2024)

From this explanation we can conclude that in Islam the state has the right to collect and give back taxes in such a way as to reduce excessive taxes only within the framework of the state's functions. Likewise, the state can manage and distribute zakat and act as an effective actor capable of implementing the rules of the Koran and al-hadith as well as the opinions of ulama regarding the principles of income distribution.(rakhmawati 2024)

## CONCLUSION

Fiscal policy is a government policy that regulates all government revenues and expenditures which are used to maintain economic stability and encourage economic growth.(setiady 2023) Sources of income during the time of the Prophet were divided into three main groups: Muslim, non-Muslim, and other sources. Actions carried out during the Companions period included Abu Bakar who was in charge of the accuracy of zakat calculations, developing the construction of Baitulmal, and in charge of Baitulmal.(sintawati 2023) Caliph Umar reorganized Baitulmal, developed Ushr, changed land ownership laws (land reform), and classified state revenues.(suherli 2023) Caliph Ustman's time was marked by the construction of water canals, the formation of a police force to maintain trade security, the construction of courts to enforce the law, and a policy of extensive land distribution.(suherli 2023) During Kulifa Ali's time, all existing income was channeled to Baitulmal, different from Umar's distribution. These funds were set aside as reserve funds, naval expenditures were abolished, and the budget policy was tightened.(widiastuti 2020)

The difference between Islamic monetary policy and conventional monetary policy lies in its objectives and the government's revenue and expenditure budget at the time the policy is adopted. In Islamic financial policy, the state has the right to collect taxes and redistribute excess taxes in a lighthearted manner only within the framework of government duties.(wusko 2017) Likewise, the state can control and distribute zakat, so that the state can act as an effective actor capable of implementing the rules of the Koran. and al-hadith, as well as the opinions of scholars regarding the principles of income distribution.

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