

Islamic Perspectives on Environmental Tax: A Review of Literature

Izlawanie Muhammad

Islamic Finance and Wealth Management Institute, Universiti Sains Islam Malaysia

Corresponding Author: izlawanie@usim.edu.my

Abstract: *Allah makes this earth a shared place for humans and other living creatures, including water, air and soil, to grow, harness and interact. As the superior creation, humans play significant roles in protecting the earth from destruction, ensuring its sustainability and necessitating it as a safe place for future generations. Indeed, poor human behaviours and awareness of preserving the earth have caused countless negative environmental impacts (e.g. landslides, floods, bushfires, haze, deforestation, pollution), and climate changes warrant laws and punitive controls. Many Muslim countries have introduced environmental tax as one of the tools to punish polluters and change their behaviour. While Islam allows tax to be collected by the government to develop a country, little is known in the context of environmental tax. This paper aims to analyse the Islamic perspectives on environmental taxes. A qualitative research methodology was adopted by thematic analysis of published books, articles and research papers. The analysis shows that while there are numerous research articles on Islam and the environment, only one empirical study (Al-Rawi et al., 2022) examines the Islamic perspectives on environmental tax. The study found that Islamic scholars have different opinions about environmental tax. Those on the supporting side explain that the environment considers a penalty or fine for causing damage to society, which makes it justifiable in Islam. However, the implementation must be carefully designed to ensure fairness and avoid unnecessary burdens to the public. More research should be undertaken to gather more opinions from the experts and compare other types of taxes permissible in Islam.*

Keywords: *environmental tax, Islamic perspectives, review of literature*

Introduction

In recent years, there has been a growing recognition of the need to address environmental issues and mitigate the impact of human activities on the planet. Increasingly, policymakers and scholars have turned their attention to the role of taxes as an effective tool for promoting sustainable practices and curbing environmentally harmful behaviour. In this context, understanding the perspectives and guidance provided by Islam on environmental taxation becomes essential.

This article aims to provide a comprehensive review of the literature on Islamic perspectives regarding environmental tax. Drawing upon a wide range of scholarly works, including Islamic jurisprudence, economic writings, and environmental ethics, we seek to explore the principles, values, and guidance Islamic teachings offer in shaping policies related to environmental taxation.

The intersection of Islam and environmentalism encompasses a rich tapestry of beliefs, traditions, and concepts that emphasise the importance of environmental stewardship and sustainable resource management. Islamic teachings emphasise the concept of *khilāfah*, which positions humans as trustees or caretakers of the earth, accountable for the responsible and just use of natural resources.

Through this review, we will delve into the Islamic principles that inform the perspective on environmental tax. We will examine how the Quran, Sunnah (prophetic teachings and practices), and interpretations by Islamic scholars provide guidance on issues such as environmental conservation, pollution control, resource management, and sustainable development. Furthermore, we will explore the potential for integrating Islamic ethical principles into environmental taxation frameworks to create effective and equitable policies.

This article seeks to contribute to the broader discourse on sustainable development and environmental governance by critically analysing the literature on Islamic perspectives on environmental tax. The findings of this review will be significant not only for policymakers and scholars interested in Islamic economics and environmental ethics but also for practitioners seeking to implement inclusive and environmentally conscious taxation systems.

Overall, this article aims to shed light on the richness and nuances of Islamic thought on environmental taxation. It is imperative to harness this body of knowledge to develop context-specific policies that align with Islamic principles and promote environmental sustainability. By doing so, we can foster a deeper understanding of the potential contributions of Islamic perspectives to the global discourse on environmental governance and build a more environmentally conscious and just society.

Research Methodology

Document analysis is a valuable research methodology used to examine and interpret textual sources to gain insights and generate knowledge across various disciplines. In this journal article, we present our research methodology, which relies on document analysis to explore and understand the phenomenon under investigation. We outline the steps and considerations involved in document analysis, highlighting its strengths and limitations as a research approach.

This study aims to investigate and analyse the content, themes, and perspectives expressed in specific documents published in academic journals. By employing document analysis as our research methodology, we aim to uncover valuable insights, identify patterns, and develop a deeper understanding of the research topic.

The first stage of the research methodology involves carefully selecting the documents for analysis. The researcher systematically identifies relevant journal articles, ensuring they align with our research objectives and contribute to the overall knowledge base. Our selection criteria may include publication date, author credibility, and the significance of the articles in the field.

Once the documents had been identified, an in-depth analysis was conducted. Document analysis involves a close reading and coding process, where the researcher systematically examines the content of the selected articles to identify key themes, concepts,

and arguments. We use open coding and thematic analysis techniques to categorise and organise the data.

Rigorous data validation methods ensured our findings' validity and reliability. This includes inter-coder reliability checks, peer review, and triangulation with other data sources if applicable. By adhering to established research standards and conducting multiple iterations of analysis, the study strives to enhance the credibility and trustworthiness of our research outcomes.

Islam And Environment

Humans are responsible for caring for the environment individually and collectively, as it is a divine obligation. We are blessed with the ability to think and manipulate the environment, but any mistreatment can lead to an ecological imbalance. We will be held accountable for our actions and judged accordingly. The call for environmental care is present in the Sunnah, and planting a tree is considered charitable. Indonesia's fatwa against environmental degradation is a step towards upholding the environment as a basic need of maqasid al-Shariah. A balanced ecosystem is necessary, and no individual or corporation should be allowed to harm it. While environmental issues were not explicitly addressed in the past, penalising those who harm the environment is crucial. Islam-majority and Islam-dominated countries suffer from poor environmental conditions (Nasir et al., 2022).

In Hasan (2022), the author explores Islam's teachings on the relationship between humans and the natural world. Islamic teachings hold that the essential elements of nature, including earth, water, fire, wood, and light, are not exclusive to humans but are shared by all living beings. This perspective reflects a deep sense of interconnectedness and recognises that all creatures have a rightful claim to these elements.

In the work of Gueye and Mohamed (2022), it is emphasised that Muslims have a significant stake in the global concern for the health and well-being of the planet. Religious teachings shape Muslims' values, beliefs, and attitudes towards life and the environment. Muslims view themselves as trustees of the earth, entrusted with safeguarding and caring for it. This concept of trusteeship, known as khilāfah, is founded upon the belief that humans are appointed as custodians of the earth, tasked with ensuring the just and responsible discharge of this stewardship according to Divine Laws.

Within the framework of khilāfah, faithful stewardship is not characterised by dominion or control over the earth. Instead, it calls for humility, obedience, and reverence for the Creator's laws. Muslims are encouraged to cherish and utilise the earth's resources in a manner that is in harmony with these laws. This approach emphasises responsible and sustainable practices that promote all living creatures' well-being and preserve nature's balance and harmony.

The Qur'an repeatedly cautions Muslims against causing corruption (fasād) on earth. This includes exploitation and oppression of the weak and marginalised and the misuse, pollution, and wastage of natural resources. Muslims are guided to use resources responsibly, ensuring they are utilised relatively for all benefit. The Qur'an stresses the importance of maintaining the ecological balance of the earth. It warns against actions that disrupt this balance, as it is fundamental to the well-being of all creation.

Islamic teachings emphasise a deep sense of responsibility towards environmental preservation. Previous scholars, Nasir et al. (2022) investigated the comprehensive scope of this management, where individuals are designated as guardians of the earth, entrusted with collective (*fard kifaya*) and individual (*fard ain*) duties in preserving the environment. This role includes the intelligent use of natural elements, reflecting the unique ability of humans to manipulate their environment. Gueye and Mohamed (2022) echo the resonance of this oversight in contemporary global concerns, highlighting how religious doctrine shapes Muslim attitudes and principles towards environmental care. Hasan (2022) further refines this notion, emphasising care rather than dominance, aligning closely with the Qur'anic principle that discourages oppression, corruption, and exploitation of the environment. Zabidi et al. (2021) emphasised the importance of awareness and education in fostering environmentally conscious behaviour based on Islamic principles. Integrating these teachings into educational programs has shown transformative potential, promoting ethical and responsible environmental behaviour. In parallel, Poderati (2021) investigates the semantic intricacies of the term "environment" in the Islamic context, revealing its sacred and inclusive connotations. These perspectives collectively establish the central importance of environmental care in Islamic teachings, laying the moral foundation for a harmonious and sustainable coexistence between humans and nature.

Tax in Islam

Al-Rawi's research (2022) delves into the intricate taxation domain within the context of Islamic Sharia, elucidating its distinctions from the conventional concept of Zakat. The author posits that taxation, a relatively contemporary construct in Sharia law, diverges from the established tenets of Zakat. Al-Rawi emphasises the absence of explicit justification for taxation in Islamic literature, thereby spotlighting the lack of mentions regarding taxation in both the Qur'an and the Sunnah. The study outlines the apparent disparities in regulations and responsibilities between Zakat and taxation, thereby underscoring their inherent differences. Notably, the study acknowledges the potential harmonisation of taxation with Islamic teachings under specific circumstances. Al-Rawi expounds upon the principles of Islamic compensation, as evident in the Qur'an and As-Sunnah. Through the examination of the account involving Daud and Sulaiman in Surat Al-anbiyaa (verse 78), which prescribes restitution for crop damage, the study asserts that Islam upholds the principle of compensatory reimbursement for losses, thereby affirming the legitimacy of compensatory measures in addressing restitution matters. In essence, Al-Rawi's inquiry not only elucidates the nuanced Islamic perspective on taxation but also illustrates its divergence from Zakat while offering a contextual rationale for taxation within the bounds of Islamic law, grounded in the principle of compensatory justice.

Environmental Tax

Poderati (2021) investigates the alignment of the Polluter-Pays principle with Islamic environmental ethics. The Polluter-Pays principle, rooted in the theory of externalities, posits that those responsible for pollution should bear the associated costs (OECD, 1972). Principle 16 of the Rio Declaration 1992 encapsulates this notion, emphasising the internalisation of environmental costs and economic mechanisms while maintaining that polluters should generally assume the financial burden of pollution in harmony with the public interest and international trade considerations. Poderati asserts that this principle corresponds with the Islamic ethos of justice (*Adl*), advocating that financial responsibility for pollution rests with

its perpetrators. This, in turn, implies the need for rigorous measures, including strict liability for individuals and corporations within the Ummah. The study concludes that the Polluter-Pays principle intrinsically aligns with Islamic environmental values.

Environmental Tax in Islam

Al-Rawi et al. (2022), in a study that examines the discourse surrounding environmental taxes within the framework of Islam, presents arguments for and against. In the affirmative, it is argued that environmental taxes align with Shariah principles, especially when linked to the public interest. Using such taxes to reduce pollution increases their Shariah compliance by serving the common good. The ongoing global environmental crisis justifies the imposition of environmental taxes, supported by previous literature that suggests the use of additional Shariah taxes in times of emergency. Al-Rawi et al. (2022) insist that environmental taxes should be considered a penalty for harming society, justified in this context. Unlike ordinary taxes, it does not unfairly reduce taxpayers' wealth but instead strengthens preventive measures against societal and environmental damage.

On the other hand, it is suggested that if the environmental tax is similar to a fee or compensation, the cost should be proportional to the environmental harm caused. New taxes should be initially low and gradually adjusted to the country's economic growth. Al-Rawi's conclusion emphasises that Islamic countries can impose environmental taxes under certain conditions: allocating tax revenue to those affected by environmental damage, upholding justice and equity in the tax process, withdrawing taxes when their purpose is met, and ensuring compliance with regulations to Sharia principles. The study underlines that taking care of the environment is an individual and collective responsibility. Finally, although generally discouraged, an environmental tax may be applied if the polluter receives a written warning and the tax is commensurate with the magnitude of the environmental hazard. Overall, Al-Rawi's analysis provides insight into the Islamic perspective on environmental taxation, considering its compatibility with Sharia and the nuances of its implementation.

In the work of Poderati (2021), the principles of the Qur'an governing the protection of the environment have been identified and recognised by contemporary Islamic scholars, serving as an essential legal provision for the global Muslim community. The study outlines Islamic principles and concepts guiding environmental law and nature conservation. These include the Principle of Stewardship (Khalifah) of the Planet and the Principle of Trust (Amanah), emphasising the duty to preserve the environment and consider the Earth God's creation. The Principle of Accountability (Akhirah) emphasises the active role of the Green Ummah in formulating environmental policy. This involvement entails promoting procedural rights such as access to information, public participation and access to justice. The public trust doctrine supports the notion of collective accountability for activities and projects, underlining the imperative to avoid waste and corruption that lead to environmental degradation.

Furthermore, the Principle of Justice (Adl) outlines the responsibility to respect and benefit from the environment somewhat and dignifiedly while continuing to improve ecosystems and address resource inequities worldwide. This includes the duty for polluters: the duty to prevent, based on the logic that prevention is preferable to control, and the obligation to repair environmental damage, in line with the Polluter-Pays principle. Poderati's analysis provides an insightful perspective on integrating Islamic environmental ethics into a legal framework for sustainable environmental practices.

2.1 Principle of Balance (Mizan)

The Islamic environmental ethos, rooted in the principle of Balance or Mizan, emphasises integrating development and conservation within natural resource management. This principle, articulated by Bagader, highlights the need to harmonise human activities with nature to protect the environment and human life. Applying Mizan-based legislative measures is advocated to restore equilibrium in response to the global disequilibrium caused by profit-driven human actions. Islamic law mandates the restoration of the environment and sustainable resource management while preventing the passing of damage costs to future generations. This aligns with the principles of international environmental law, such as the "no harm" principle and the "duty not to cause damage," which promote prevention and peaceful relations between nations. Issuing a fatwa against intentional land burning by the Indonesian Islamic Council demonstrates the authoritative role of religious edicts in shaping environmental behaviour. Scholars' arguments against tree burning underscore the moral and legal obligation to protect nature. Proposing a comprehensive Environmental Impact Assessment (EIA) grounded in Islamic principles, aligned with the Islamic perspective on nature, offers a way to evaluate adverse environmental and public health impacts. Developing Islamic EIA standards complementing existing legislation is vital for effective environmental management (Poderati, 2021).

Conclusion

In conclusion, this research has explored the exciting intersection between Islamic principles and environmental taxation, elucidating the potential contribution of Islamic thought to the global discourse on environmental governance. Exploration of Islamic perspectives on environmental taxation has revealed a rich tapestry of beliefs, values and ethical guidelines that emphasise the importance of responsible stewardship and management of our planet's precious resources.

Based on Islamic jurisprudence, economic writing, and environmental ethics, this commentary has highlighted the critical concept of *khilāfah*, which places humans as trustees of the earth. This profound responsibility requires careful and equitable use of natural resources, in line with the broader objective of sustainable development. The integration of Islamic principles into the framework of environmental taxation shows excellent promise in formulating inclusive and fair policies that align with environmental sustainability principles.

As explained in the reviewed literature, the call to care for the environment is deeply embedded in the structure of Islamic teachings. A deep understanding of man's role as guardian of the environment, entrusted with maintaining balance and harmony, resonates clearly across Islamic sources. The Qur'an's repeated emphasis on avoiding corruption, conserving resources, and ensuring equitable use underlines the ethical mandate to care for our planet in Islamic principles.

The insights gained from this comprehensive review are vital in a world grappling with pressing ecological challenges. They deepen our understanding of the environmental ethics advocated by Islam and offer a powerful blueprint for designing effective and conscientious environmental taxation policies. By harnessing the wealth of Islamic principles and values, policymakers and scholars alike are poised to enact policies that combat environmental degradation and foster a just and sustainable future.

In conclusion, the meeting between Islamic teachings and environmental taxation is a remarkable bridge between faith-driven ethics and pragmatic policymaking. As society strives to navigate the complex field of environmental protection, the principles enshrined in Islam can act as a compass of guidance and inspiration. By embracing these teachings and seamlessly integrating them into taxation and governance, humanity is taking a remarkable step toward a more harmonious coexistence with our planet and its complex ecosystems.

References

- Al-Rawi, Y.A., Yusup, Y., Ahmed E., Ali, A.F. & Yahya, S. (2022) An examination of environmental taxes from the Islamic and Shariah perspectives, *Journal of Environmental Studies and Sciences*, 13, 141-155 DOI: 10.1007/s13412-022-00806-5
- Gueye, M.K. & Mohamed, N. (2022) An Islamic Perspective on ecology and sustainability, *IntechOpen*. DOI: 10.5772/intechopen.105032
- Hasan, H. (2022) Islam and ecological sustainability: An exploration into Prophet's perspective on environment, 2(6), 15-21 DOI: 10.54741/ssjar.2.6.4
- Nasir, N.M., Nair, M.S. & Ahmed, P.K. (2022) Environmental sustainability and contemporary Islamic society: A Shariah perspective, *Asian Academy of Management Journal*, 27(2), 211-231 DOI: 10.21315/aamj2022.27.2.10
- Poderati, G. (2021) An Islamic perspective of environmental law and policy. *Rivista Giuridica AmbienteDiritto*. 1, 1-27 https://www.ambientediritto.it/wp-content/uploads/2021/01/AN-ISLAMIC-PERSPECTIVE-OF-ENVIRONMENTAL-LAW-AND-POLICY_Poderati.pdf
- Zabidi, F.N.M., Rahman, N.A. & Halim, L. (2021) Integration of Islamic Values for Environmental Conservation: An Analysis of School Textbooks. *Religions*, 12:509. DOI: 10.3390/rel12070509