

# EXCLUSIVE INTERVIEW



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**Allama Muhammad Raghیب Hussain Naeemi**  
Chairman, Council of Islamic Ideology (CII)

**ICMA:** How does the CII ensure Pakistan's economic policies follow Islamic principles under Article 230?

**Chairman CII:** The Council of Islamic Ideology was established under Article 228 of the Constitution. Among its mandated responsibilities is the review of existing and proposed laws in light of Islamic principles and the submission of recommendations to the government regarding the Islamization of society. The Council is not an executive body; it does not formulate national policy, nor does it have the authority to enforce implementation of its recommendations. Nevertheless, in fulfillment of its constitutional mandate, the Council has prepared numerous reports and recommendations aimed at aligning Pakistan's economic policies with Islamic principles, which have been submitted to the Parliament and relevant institutions at various times.

**ICMA:** What steps is the CII recommending to remove Riba from Pakistan's financial system?

**Chairman CII:** In June 1980, the Council submitted a report titled *Interest-Free Banking* to the government, which the Government of Pakistan implemented partially in two to three phases. This report was the Council's first major effort toward restructuring the national economy on Islamic principles. It received widespread recognition and was initially compiled in English under the title *Elimination of Riba from the Economy*. Later, it was translated into Urdu as *Bila Soodi Bankari* and into Arabic as *Al-Gha' al-Fa'idah min al-Iqtisad*.

Subsequently, the Council prepared a comprehensive report titled Islamic Economic System, which consolidated and organized all available sources related to Islamic economic teachings. In addition, the Council developed and submitted three reports to the government aimed at aligning the prevailing system of insurance with Islamic principles. These reports were titled *Islamic Insurance System*, *Bima wa Qawaneen-e-Bima*, and *Report on Islamic Insurance System*.

In its first report, *Interest-Free Banking*, the Council proposed a three-phase plan for the practical implementation of a non-interest-based financial system. In the first phase, it recommended eliminating all conventional interest-based practices from government financial transactions, with July 1, 1980, set as the target date for implementation. The second phase, scheduled for July 1, 1981, involved the development of new schemes in light of the Council's recommendations. The third phase was set for implementation on January 1, 1982, focusing on the complete elimination of interest from domestic banking operations, followed by proposals for eliminating interest at the international level. These dates were suggested at the time of the report's initial drafting; however, implementation has yet to take place. Nonetheless, these timelines were provided for convenience, while the key emphasis remains on the phased approach outlined by the Council. If these stages are kept in view during practical efforts to eliminate interest, the goal of an interest-free economy will be



Mr. Muhammad Yasin, Vice President ICMA & Chairman Research & Publications Committee in a meeting with Allama Muhammad Raghib Hussain Naeemi, Chairman, Council of Islamic Ideology (CII)

more attainable. Furthermore, to promote and implement an Islamic banking system, the Council endorsed the Shariah standards developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

**ICMA: What further reforms are needed to make Pakistan's economy fully interest-free?**

**Chairman CII:** To completely reform Pakistan's economic system, a range of comprehensive reforms are required. First and foremost, this is a multifaceted and broad-based task; therefore, sincerity and genuine intent are essential for its execution. Secondly, the Islamic financial system, which has already been partially implemented in our country, needs to be further promoted and expanded. One of the most effective steps in this regard would be for the government to withdraw its funds from interest-based banks and deposit them in Islamic banks. Gradually, within these non-interest-based banks, the core Islamic financing methods—such as musharakah (partnership) and mudarabah (profit-sharing)—should be practically implemented and enforced. Recently, under the 26th Constitutional Amendment, the elimination of interest by January 1, 2028, has been included as a goal. Therefore, immediate action is essential to achieve this target within the stipulated timeframe. In pursuit of these objectives, it is imperative to implement the recent decision of the Federal Shariat Court regarding the abolition of interest. It is hoped that the above-mentioned measures will lead to a fully interest-free economic system in Pakistan.

**ICMA: How well do Pakistan's banking and trade laws align with Islamic principles, and what improvements are needed?**

**Chairman CII:** Significant reforms are required to align Pakistan's banking and commercial laws with the principles of the Qur'an and Sunnah.

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*Mr. Muhammad Yasin, Vice President ICMA is presenting a souvenir to the Chairman Council of Islamic Ideology (CII)*

In this regard, valuable guidance can be drawn from the aforementioned reports of the Council of Islamic Ideology, the recent and past rulings of the Federal Shariat Court concerning the elimination of interest, and the decisions of the Supreme Court's Shariat Appellate Bench. These reports and judgments have reviewed the existing interest-based laws and proposed viable alternatives. Therefore, by implementing the recommendations and directives mentioned therein, the prevailing banking and commercial laws can be brought into conformity with Islamic principles.

**ICMA: How can Zakat and Ushr be improved to ensure fair wealth distribution?**

**Chairman CII:** Reforms in the systems of Zakat and Ushr are essential to ensure the fair distribution of wealth. In this regard, the full implementation of the Zakat and Ushr Ordinance is necessary. While the ordinance is being implemented to some extent in matters of Zakat, its enforcement in relation to Ushr is almost negligible. The Council of Islamic Ideology has proposed several amendments to this ordinance, and implementing these suggestions could bring greater transparency to the system. The Council has also submitted a report to the Parliament titled Introduction of Zakat in Pakistan. In addition, over various periods, the Council of Islamic Ideology has presented several other valuable recommendations for improving and reforming the Zakat system across the country. These recommendations include a summary of Islamic teachings and principles regarding the collection and distribution of Zakat. Implementing these proposals could significantly enhance the administration of Zakat and Ushr.

**ICMA: After influencing laws like Huddood and Zakat, what economic laws should the CII focus on next?**

**Chairman CII:** The answer to this question has already been provided earlier. In summary, the Council of Islamic Ideology's focus, in terms of economics, is not on any specific law but rather on the entire economic system and the related laws. With the landmark decision of the Federal Shariat Court and the approval of the 26th Constitutional Amendment, it is now crucial to implement these decisions immediately to fully establish the economic system along Islamic lines.

**ICMA: Should Islamic principles guide taxation, banking and corporate Laws? How can this be achieved?**

**Chairman CII:** Islam provides clear principles and foundations regarding banking, taxation, and commercial laws. In addition to the aforementioned reports on financial management, the Islamic Ideological Council has also presented the following recommendations to the government in its reports:

- **12th Report on Islamization of Laws: Fiscal System and Fiscal Laws**
- **13th Report on Islamization of Laws: Tax Laws**

In the first report, after detailing the three fundamental Islamic principles regarding taxation (real need, equitable assessment and collection, simplicity and frugality), the following suggestions for reforming the existing tax system were presented:

Pakistan's current taxation system is unjust and does not align with the requirements of Shariah. To bring the taxation system in line with Shariah, the Council has proposed the following recommendations:

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- 1) There is an urgent need to reduce the tax burden on the public. The current overwhelming number of taxes and their high rates are fostering tendencies of tax evasion among the public. The practice of bribery in tax collection is also rampant. It is critically important for the government to reduce its expenses as much as possible, eliminate all unnecessary expenditures, and, in proportion, lessen the tax burden on the public.
- 2) To meet necessary expenditures, the government should rely on only a few taxes, and these taxes should align with the principles of Shariah as outlined in the previous sections.
- 3) The current indirect taxes, such as sales tax and excise duties, are unjust because their burden falls more heavily on the poor than on the rich. Our ultimate goal should be to have a tax system that consists solely of direct taxes. However, for an interim period, some indirect taxes can be tolerated, provided it is ensured that no other type of tax will be levied on items of daily use by the poor. The government should develop a five-year plan in which the reliance on indirect taxes is gradually reduced each year. By the end of this period, only those indirect taxes should remain which either fall under the definition of Ushr (customs duties) that were prevalent in the early Islamic period or are levied on goods whose consumption is discouraged for national interests.
- 4) The direct taxes, particularly income tax, should be completely abolished. The existing wealth tax should be expanded, and its rate should be increased to a reasonable level. The definition of wealth should include both movable and immovable assets. The total value of these assets, with the exception of a reasonable threshold, should be subject to taxation.
- 5) The methods for determining and collecting both direct and indirect taxes should be simplified as much as possible, and the discretionary powers of the administration should be minimized. The wealth tax should be implemented on a self-assessment basis, but the law should allow for the random selection of 5% of the tax returns via computer for detailed scrutiny. If a return is found to be fraudulent, severe penalties should be imposed, including the confiscation of all wealth.
- 6) The system of Zakat and Ushr should be fully implemented. No Muslim, whether Shia or Sunni, should be discriminated against, and the recommendations that the Council has periodically made to the government in this regard should be fully implemented.
- 7) Tax laws should not be exempt from judicial review, and the right to appeal against tax assessments should be granted in court.

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- 8) Tax laws and regulations should be in Urdu or the local language, and the staff should have minimal discretionary powers.
- 9) Implementing the proposals mentioned in these reports could put an end to the existing unjust taxation system.

**ICMA: What key Islamic Economic reforms is the CII currently recommending to the Parliament?**

**Chairman CII:** At present, the foremost demand of the Council of Islamic Ideology is the implementation of the Federal Shariat Court's decision concerning Islamic economic reforms. Full enforcement of this decision is expected to align Pakistan's economic system with the principles of Islam. Following the Court's verdict, the Council has written to relevant authorities and institutions, urging them to fulfill their responsibilities in this regard.

To facilitate implementation, the Council has also recommended the establishment of various committees and task forces to take practical steps toward the elimination of interest. Furthermore, under the 26th Constitutional Amendment, the complete eradication of interest from Pakistan's economy is to be achieved by January 2028. This constitutional mandate requires urgent and serious action.

The State Bank of Pakistan should initiate immediate efforts to ensure this target is met within the stipulated timeframe. Implementation of this decision is not only a constitutional obligation but also a long-standing aspiration of the Muslim population of Pakistan and a foundational principle upon which the country was established.

*The Editorial Board thanks **Allama Muhammad Raghieb Hussain Naeemi, Chairman, Council of Islamic Ideology (CII)** for sparing from his precious time to give exclusive interview for Chartered Management Accountant Journal.*