

Malaysia's 2025 Budget: An Unjust Budget Contradicting the Principles of Sharia

News:

The 2025 Budget, presented by Prime Minister Anwar Ibrahim, focuses on managing Malaysia's national debt and fiscal deficit. Anwar reported that the debt level has reached RM1.5 trillion, with 16 sen of every tax ringgit collected going towards interest payments alone. To address this, the government plans to remove subsidies for the top 15% income group in areas such as fuel and education, while also expanding the Sales and Services Tax (SST) to cover a broader range of items, excluding only basic foods. Additional taxes on dividends and financial services have also been introduced.

Comment:

It is observed that the government's approach to reducing subsidies and increasing taxation aligns with recommendations from the IMF and World Bank and hence has clear problems with Sharia.

1. Taxation without Sharia Justification

Prophet Muhammad (saw) stated, « لَا يَدْخُلُ الْجَنَّةَ صَاحِبُ مَكْسٍ » **“Those who collect unjust taxes will not enter Paradise”** (Narrated by Ahmad, Ad-Darimi).

The broad taxation applied to nearly all goods, except basic foods is tyrannical and contradicts the principles of Shariah. In fact, reducing such taxes could lower prices, boost disposable income, and strengthen the domestic economy.

2. Commitment to Interest-Based Debt (Riba)

Allocating 16% of national revenue exclusively for debt interest payments is unacceptable in Islam. Riba (interest), defined as any unearned gain in a financial exchange, is strictly prohibited in Islam. The Quran states, « وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا » **“Allah has permitted trade and forbidden riba”** [Quran 2:275], and Prophet Muhammad (saw) warned against involvement in any interest-based transactions, whether paying, collecting, or witnessing them. Using public funds to pay for interest thus conflicts with Sharia.

3. Subsidy Reductions for Higher Income Groups

Prime Minister Anwar refers to subsidies as a form of state-provided charity; however, Islam regards natural resources like fossil fuels as public assets. Prophet Muhammad (saw) said, « النَّاسُ أَشْرَكَاءُ فِي ثَلَاثٍ: فِي الْكَلَاءِ، وَالْمَاءِ، وَالنَّارِ » **“People are partners in three things: pastures, water and fire”** (Narrated by Abu Dawud and Ahmad).

This principle extends to essential resources like fuel, which are public property and should benefit all citizens. Likewise, education, healthcare, and security are fundamental rights the state is obliged to ensure for all citizens. These measures contrast sharply with the incentives provided to foreign investors. The government has introduced tax breaks and subsidies for foreign investment as part of a broader strategy to attract capital into Malaysia. The 2025 Budget, as presented by Prime Minister Anwar Ibrahim, raises critical questions from an Islamic perspective. Broad-based unjust taxation, commitment to an interest-based debt system, and restriction of access to public resources while providing tax exemptions favouring foreign investors run counter to Islam. Furthermore, leaders who view subsidies as "charity" are clearly undermining their obligations to citizens and deviating from Sharia.

Muslims today must be cognizant of the fundamental malice within the capitalist frameworks and seek a system aligned with Islam, specifically the Khilafah Islamiyyah (Islamic Caliphate). Through this system, Islamic Sharia ensures fair distribution of wealth and protection of citizens' rights. Let us strive towards realizing this obligation!

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