

## **Tax Principles According To Abu Yusuf And Adam Smith: Comparative Study**

Khurun'in Zahro'

Department of Islamic Economics Law, Universitas Darussalam Gontor

[khuruninzahro@unida.gontor.ac.id](mailto:khuruninzahro@unida.gontor.ac.id)

Ishma Amelia

Department of Islamic Economics and Finance,

Istanbul Zaim University Turkey

[fahmy.ishma@std.izu.edu.tr](mailto:fahmy.ishma@std.izu.edu.tr)

Nuriwanda Azizah Nugraheni

Department of Islamic Economics Law, Universitas Darussalam Gontor

[nuriwanda.azizah@gontor.ac.id](mailto:nuriwanda.azizah@gontor.ac.id)

Muhammad Reyhan

Department of Islamic Economics Law, Universitas Darussalam Gontor

[muh.reyhan14@mhs.unida.gontor.ac.id](mailto:muh.reyhan14@mhs.unida.gontor.ac.id)

### **Abstract**

*Taxes are important for every country because it is the main income for the state, which is certainly very influential on state coffers in addition to gain in other fields. In the history of Islam itself, taxes have existed since the time of the Prophet (peace be upon him), and many Muslim scholars poured their thoughts into taxation. One of them is quite famous is Abu Yusuf, who poured a lot of economic thought into his book Al-Kharaj. One of these western economists is Adam Smith, more commonly known as the Father of Economics. Adam Smith poured much of his thoughts on economics into his book An Inquiry into The Nature and Causes of the Wealth of Nations. The purpose of this study was to know the thoughts of Abu Yusuf and Adam Smith in the principle of taxes as well as to know the similarities and differences in the principle of taxes both. In this study uses comparative descriptive qualitative research conducted by studying literature or documentation and analyzing data submitted by Miles and Huberman. The results of this study showed that the difference between Abu Yusuf and Adam Smith is very clearly seen, from the taxes levied, Abu Yusuf did not collect taxes on land rent, rent, and also wage taxes. And Abu Yusuf strongly emphasized justice where taxes are levied on the taxpayer in accordance with his ability and does not burden the taxpayers.*

**Keywords:** Abu Yusuf, Adam Smith, Tax Principles

### **Abstrak**

*Pajak merupakan hal yang penting bagi setiap negara karena merupakan pendapatan utama negara, yang tentunya sangat berpengaruh terhadap kas negara disamping keuntungan di bidangnya. Dalam sejarah Islam sendiri, pajak sudah ada sejak zaman Rasulullah SAW, dan banyak cendekiawan muslim yang menuangkan pemikirannya tentang perpajakan. Salah satunya yang cukup terkenal adalah Abu Yusuf yang banyak menuangkan pemikiran ekonominya dalam bukunya Al-Kharaj. Salah satu ekonom barat tersebut adalah Adam Smith, yang lebih dikenal sebagai Bapak Ekonomi. Adam Smith menuangkan banyak pemikirannya tentang ekonomi dalam bukunya An Inquiry into The Nature and Causes of the Wealth of Nations. Tujuan dari penelitian ini adalah untuk mengetahui pemikiran Abu Yusuf dan Adam Smith dalam prinsip pajak serta mengetahui persamaan dan perbedaan prinsip pajak keduanya. Dalam penelitian ini menggunakan penelitian kualitatif deskriptif komparatif yang dilakukan dengan mempelajari literature atau dokumentasi dan menganalisis data yang disampaikan oleh Miles dan Huberman. Hasil penelitian ini menunjukkan bahwa perbedaan antara Abu Yusuf dan Adam Smith sangat terlihat jelas, dari pajak yang dipungut, Abu Yusuf tidak memungut pajak atas sewa tanah, pajak sewa, dan juga pajak upah. Dan Abu Yusuf sangat menekankan keadilan dimana pajak dipungut kepada wajib pajak sesuai dengan kemampuannya dan tidak membebani wajib pajak.*

**Kata Kunci:** Abu Yusuf, Adam Smith, Prinsip Pajak.

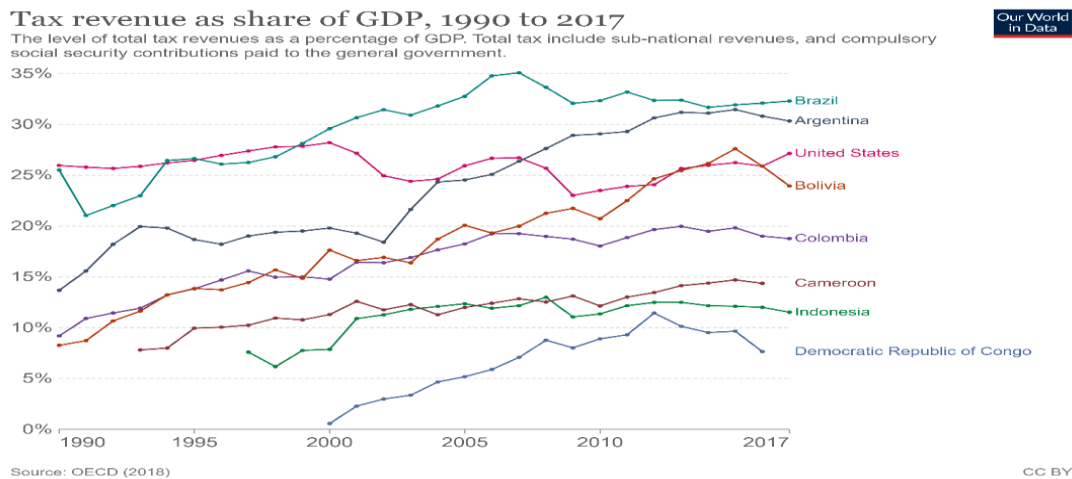
## **INTRODUCTION**

The government in running the wheels of its government takes state revenue from various sources. One of them we know is taxes. Taxes themselves are mandatory contributions to the state owed by private persons or entities of a coercive nature under the Act, by not getting compensation directly and being used for state purposes for the greatest prosperity of the people.<sup>1</sup>

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<sup>1</sup> M. Fauzan, *Konsep Perpajakan Menurut Abu Yusuf, Medan*, Thesis S2, Institut Agama Islam Negeri Sumatera Utara, Medan, 2014, p. 7

Table 1. Data on Tax Revenue as Share of GDP, 1990 to 2017



Source: Our World in Data (<https://ourworldindata.org/taxation>)

Based on the data above, it can be seen that taxes are important for every country because they are the main income for the state which of course greatly affects the state treasury in addition to income in other fields. In addition to affecting state revenue, of course, taxes also contribute to realizing development.<sup>2</sup> However, the data above shows that tax revenue in Indonesia is still very lagging behind other countries.

Tax contributions in the state revenue order become the backbone of running the country's government. In addition to its vital role in the contribution of revenue receipts, taxes also play an important role in maintaining state sovereignty, especially as a source of revenue in the State Budget (APBN). It can be seen from the table above taxes are the highest state income in Indonesia as of August 2021.

<sup>2</sup> Nia Puji Agustin, Khurun'in Zahro', "Potensi Wakaf Tunai dalam Meningkatkan Usaha Kecil Menengah (UKM): Studi pada Badan Wakaf Uang Tunai (BWUT) Majelis Ulama Indonesia (MUI) Yogyakarta", *Al-Bayan: Hukum dan Ekonomi Islam*, Vol. 2, No. 2 Desember 2021, p. 14

In the history of Islam itself, taxes have existed since the time of the Prophet Muhammad SAW and their application is still running until this time. Many Muslim scholars put their minds on terms of taxation. One of the scholars who is very famous for his thoughts on taxation is Abu Yusuf who is known to have a considerable contribution to economic progress during the leadership of Caliph Harun ar-Rasyid. He laid the foundations of fiscal policies based on justice and justice.

Abu Yusuf was one of the most famous economists of the first generation. His fame was influenced by one side was the disciple of Imam Abu Hanifah, on the other hand, his monumental work, namely the book of Al-Kharaj. The book is one of the references to public income in the Islamic state while also covering economic ideas both macro and micro.<sup>3</sup>

The main strength of Abu Yusuf's thinking was regarding public finance issues. With his merits in observing the analysis, Abu Yusuf was able to outline financial problems and make policies to improve economic growth and the welfare of the people.<sup>4</sup> The main subject of Abu Yusuf was the taxation and economic responsibility of the state. Its contribution lies in proving the superiority of balanced taxes to the system of fixed levies on land, both in terms of views and fairness.

But unfortunately, all the ideas and intellectual merits of these Muslim scholars were covered up by western historians and economists. Even some economists did not include the thinking of Muslim economists in the

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<sup>3</sup>Misbahul Ali, "Relevansi Konsep Perpajakan Menurut Abu Yusuf dan Ibnu Khaldun Terhadap Perekonomian di Indonesia", *Jurnal Al-Idarah*, Vol. 2 No. 1, Februari 2021, p. 4

<sup>4</sup>Adiwarman Azwar Karim, *Sejarah Pemikiran Ekonomi Islam* (Jakarta: Raja GrafindoPersada, 2008), p.235-236

middleages. And also, some Western economists have adopted the ideas of Muslim economists without giving Muslim economists a decent price.<sup>5</sup>

One of these Western economists is Adam Smith or more commonly known as the Father of Economics. He is also known as the pioneer and originator of the capitalist economy. During his lifetime, Adam Smith has written many phenomenal books. One of his famous books is titled 'An Inquiry into the Nature and Causes of the Wealth of Nations.

In his book, Adam Smith discusses a lot of things related to the economy. Some of his theories are still used today, one of which is about taxation which is very well known as The Four Maxims or Four Canon of Taxation. In his theory, Adam Smith developed four principles of fair taxation, namely the principle of Equity, the principle of Certainty, the principle of Convenience, and the principle of Cost-effectiveness. In this theory, Adam Smith also explained the government's duties that must be carried out for his country. Among its duties are protecting sovereignty, ensuring justice, and protection of public goods or state wealth with changes like business and the evolution of the tax system followed by different strategies to avoid tax misappropriation and also introducing new principles to generate income for the state.<sup>6</sup>

This research is comparative descriptive, which is a kind of descriptive research that wants to find fundamental answers about cause and effect, by analyzing the factors causing the occurrence or emergence of a certain

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<sup>5</sup>Khairil Henry, Arridho Abduh, Sonia Sischa Eka Putri, "Prinsip Pemungutan Pajak Ibnu Khaldun Dalam Perspektif Perpajakan Modern (Studi Prinsip Pemungutan Pajak Dalam Kitab Muqaddimah)", *The Journal of Taxation*, Vol. 1 No. 2, 2020, p. 153

<sup>6</sup> Tasnim Alam, *Canon of Taxation of Adam Smith, Philosophical Revelation and A Short Comparative Discussion in The Context of Modern Taxation Structures*, at [22.15], <<https://ssrn.com/abstract=3783037>> viewed on 20 November 2021

phenomenon.<sup>7</sup> This study discusses the principle of tax according to Abu Yusuf and Adam Smith and the comparison between the two.

## DISCUSSION

### Tax Definition

The definition of tax is by Law No. 16 of 2009 concerning the fourth amendment to Law No. 6 of 1983 concerning General Provisions and Procedures for Taxation in article 1 paragraph 1 reads that tax is a mandatory contribution to the state owed by an individual or entity of a coercive nature under the law, by not getting compensation directly and used for state purposes for the greatest prosperity.<sup>8</sup> Some expert opinions on the meaning of tax are as follows:

Taxes according to P. J. A. Adriani are contributions to the state (which can be imposed) owed by those who are obliged to pay them according to the regulations by not getting a return, which can be directly appointed and which are useful for financing general expenses related to government duties.<sup>9</sup>

The tax according to Rochmat Soemitro is the contribution of the people to the State treasury under the Act (which can be imposed) with no lead (counteraction) services that can be directly shown and which is used to pay general expenses.<sup>10</sup> MJH Smeeths defines taxes as government achievements that are contained in general norms and can be imposed, in the absence of counter-achievements that can be demonstrated in terms of individuals financing government expenditures.<sup>11</sup>

The tax according to S. I. Djajadiningrat is an obligation to hand over part of the wealth to the state treasury due to a circumstance that gives a certain

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<sup>7</sup> Andi Ibrahim, *et al*, *Metodologi Penelitian*, (Makasar: Gunadarma Ilmu, 2018), p. 47

<sup>8</sup> Mardiasmo, *Perpajakan*, (Yogyakarta: Penerbit Andi, 2018), p. 1

<sup>9</sup> Rachmatullah Oky, "Teori Pajak Menurut Abu Yusuf Sebuah Alternatif Solusi Perpajakan di Indonesia", *Iqtishoduna: Jurnal Ekonomi Islam*, Vol. 8, No. 1, April 2019, p. 6

<sup>10</sup> Mardiasmo, *Perpajakan*, ..... p. 1

<sup>11</sup> Rachmatullah Oky, "Teori Pajak Menurut Abu Yusuf Sebuah.....", p. 6

position but not as a punishment, by the regulations that have been established by the government and can be imposed, but no reciprocity is given by the state directly and to maintain the state in general.<sup>12</sup> Soeparman Soemahamidjaja defines tax as mandatory dues in the form of money or goods collected by the ruler based on the applicable legal norms to cover the cost of producing goods and services to achieve public welfare.<sup>13</sup>

Anderson Herschel argues that a tax is a transfer of resources from the private sector to the government sector and is not the result of a violation committed, but is an obligation under the applicable provisions, without remuneration and is carried out to make it easier for the government to carry out its duties.<sup>14</sup> The tax according to the Deutsche Reichs Abgaben Ordngug (RAO-1919) is a periodic money assistance tax (with no counteractions), levied by a general entity, in order to obtain income, where there is a taxation target that due to the law has caused tax debt.<sup>15</sup>

According to Soeparman, taxes are mandatory contributions in the form of money or goods collected by the ruler based on legal norms in order to cover the cost of producing collective goods and services in achieving general welfare.<sup>16</sup>

From some of the definitions above, it can be concluded that taxes have the following elements, they are: Dues from the people to the state that has the right to collect taxes are only the state, the dues are in the form of money (not

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<sup>12</sup>Juli Ratnawati, *Dasar-Dasar Perpajakan*, (Yogyakarta: Deepublish, 2015), p. 1

<sup>13</sup>Chairil Anwar Pohan, *ManajemenPerpajakan Strategi Perencanaan Pajak dan Bisnis*, (Jakarta: PT Gramedia Pustaka Utama, 2013), p. 6

<sup>14</sup>Chairil Anwar Pohan, *ManajemenPerpajakan Strategi.....*, p. 6

<sup>15</sup>Mustaqiem, *Perpajakan Dalam Konteks Teori Dan Hukum Pajak di Indonesia*, (Yogyakarta: BukuLitera, 2014), p. 31

<sup>16</sup>Mustaqiem, *Perpajakan Dalam Konteks Teori.....*, p.32

goods), under the law Taxes are levied on or by the force of the law as well as the rules of its implementation, without the merits of lead or counteraction from the state that can be directly appointed. In the payments there cannot be shown the existence of individual counteractions by government counteractions used to finance state households, i.e., expenditures that benefit the wider community.<sup>17</sup>

### Definition of Taxes in Islam

Etymologically, taxes in Arabic are referred to as *dharibah*, which comes from the words ضرب, يضرب, ضربا which means: to oblige, to establish, to determine, to strike, to explain or impose, and others. Dharaba is the verb form (fi'il), while the noun form (isim) is *dharibah* (ضريبة), which can mean burden. Dharibah is an isimmufrad (singular noun) whose plural is *dharaiib* (ضرائب). It is called a burden, because it is an additional obligation on the property after zakat so that in its implementation it will be perceived as a burden (heavy demand). In the usage example, the tax office is called *maslahahadh-daraaib* (مصلحة الضرائب).<sup>18</sup>

Linguistically and traditionally, *dharibah* in its use does have many meanings, but scholars use the expression *dharibah* to pay for the property collected as an obligation. This is evident in the expression that *jizyah* and *kharaj* are levied on a *dharibah* basis, that is, compulsorily. Even some scholars call *kharaj* a *dharibah*. Thus, *dharibah* is a treasure that is compulsorily collected by the State for other than *jizyah* and *kharaj*, although both can be generally categorized as *dharibah*.<sup>19</sup>

Three Muslim scholars give definitions of taxes, namely Yusuf Qardhawi in his book *Fiqh Az-Zakah*, Ghazy Inayah in his book *Al-Iqtishad al-Islami az-*

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<sup>17</sup>Mardiasmo, *Perpajakan*, p. 1

<sup>18</sup>Gusfahmi, *Pajak Menurut Syariah*, (Depok: RajagrafindoPersada, 2011), p. 28

<sup>19</sup> Maman Surahman, "Konsep Pajak Dalam Hukum Islam", *Amwaluna: Jurnal Ekonomi dan Keuangan Syariah*, Vol. 1, No. 2, Juli, 2017, p. 168-169



Zakah wa ad-Dharibah, and Abdul Qadim Zallum in his book *Al-Amwalfii Daulah al-Khilafah*, which is summarized as follows:

- a. The tax according to Yusuf Qardhawi is an obligation established to the taxpayer, which must be paid to the state by the provisions, without getting any return achievements from the state, and the result is to finance various general expenses on the one hand and to realize in part the economic, social, political and other goals that the state wants to achieve.
- b. Gazy Inayah argues that taxes are an obligation to pay in cash determined by the government of a binding nature in the absence of any particular reward. Government provisions are by the ability of property owners and are allocated to meet food needs in general and to meet the political demands of finance for the government.
- c. Taxes according to Abdul Qadim Zallum are the property that Allah Almighty requires Muslims to finance various needs and expenditure items that are indeed required of them, in the condition that Baitul Mal has no money.<sup>20</sup>

### **Biography of Abu Yusuf and Adam Smith**

Abu Yusuf with his full name is Ya'qub ibn Ibrahim ibn Sa'ad ibn Husaen al-Anshory. Abu Yusuf is a nickname and a name known today when it comes to taxes in Islam. He was born in Kuffah in 113 A.D. (731 A.D.) and died in Baghdad in 182 A.D. (798 A.D.). He had a nasab connected with a friend of the Messenger of Allah SAW, Sa'ad Al-Anshari on his mother's side, giving responsibility in the acts to conform to his nasab.<sup>21</sup>

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<sup>20</sup> Gusfahmi, *Pajak Menurut Syariah*,....., p. 31

<sup>21</sup> Arif Zunaidi, "Abu Yusuf dan Pajak (Konsep Dalam Kitab Al-Kharaj dan Relevansinya Dalam Ekonomi Saat Ini)", *Fenomena*, Vol. 20 No. 1, Januari-Juni 2021, p. 64

Abu Yusuf is known as one of the followers of Abu Hanifah the founder of the Hanafi School. In his life history, he was not born into a wealthy family. He was born to a poor family in a small village in Baghdad, Iraq.<sup>22</sup> It was not enough for him to gain knowledge from Abu Hanifah with *madrassa turra'iyi*, he went to Medina and studied with the famous scholar there, namely Imam Malik who was known as the Hadith madrasa, so Abu Yusuf combined the two. He returned to Iraq armed with the knowledge of Medina scholars known as historians and kufah scholars known as *dirayati* or *ra'yu* (opinions). Both sciences greatly helped him in narrating the hadith.<sup>23</sup>

After Imam Abu Hanifah died, Abu Yusuf succeeded Abu Hanifah as a teacher at his college for 16 years. In addition to studying and teaching, Abu Yusuf was also active in producing books that discussed jurisprudence, which was the first book in circulation at that time. So, it is not surprising that the books of Abu Yusuf's jurisprudence and the thought of the Hanafi Madzhab ruled the minds of Muslims, including in the judicial environment and the official courts of the time.<sup>24</sup> Harun ar-Rasyid once stated that Abu Yusuf was a scholar who had a breadth of jurisprudence and had a firm and consistent scientific personality.<sup>25</sup>

Then, Adam Smith's full name John Adam Smith was born in Kirkcaldy, Scotland on June 5, 1723 AD a few months after his father's death. He was an only child and most of his life was spent with his mother until his mother died. Adam Smith himself is known not to have married until the end of his life.<sup>26</sup>

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<sup>22</sup> Nurul Huda dan Ahmad Muti, *Keuangan Publik Islam Pendekatan Al-Kharaj (Imam Abu Yusuf)*, (Bogor: Ghalia Indonesia, 2011), p. 53

<sup>23</sup> Nurul Huda dan Ahmad Muti, *Keuangan Publik Islam .....*, p. 56

<sup>24</sup> Syamsul Rijal, *et al*, "Kajian Kritis Pemikiran Abu Yusuf Terhadap Perkembangan Ekonomi Islam Modern", *Jurnal Ekonomi Syariah, Akuntansi, dan Perbankan*, Vol. 5 No. 2, p. 263-264

<sup>25</sup> Syamsul Rijal, *et al*, "Kajian Kritis Pemikiran Abu Yusuf Terhadap .....", p. 264

<sup>26</sup> Indra Hidayatullah, "Pandangan Ibnu Khaldun dan Adam Smith Tentang Mekanisme Pasar", *Iqtishoduna*, Vol. 7 No. 1, April, 2008, p. 126

Adam Smith lived in an environment where his ward provided many activities that would support Smith's future career. Scottish is the port of Kirkcaldy which passes through the estuary from Edinburgh where it is a trading center with ships anchored carrying fish, exporting coal from local ponds, and carrying scrap metal for the iron industry. So, Smith grew up among sailors, fish merchants, nail makers, and also the customs office.<sup>27</sup>

In school, Smith was known to have a great desire for books and also had a very remarkable memory. He entered the University of Glasgow in 1737 when he was 14 years old, he studied under the teachings of the greatest moral philosopher, Francis Hutcheson.<sup>28</sup> Three years later precisely in 1740, he was elected Snell Exhibitioner at the University of Balliol, Oxford. But Smith was not interested in the quality of teaching at Oxford.<sup>29</sup>

In 1748, Smith began giving public lectures in Edinburgh under the patronage of Lord Kames. Some of them dealt with rhetoric and literature, but later he took the topic of "the advancement of luxury", and when at the age of 20 for the first time outlined the economic philosophy of "a clear and simple system of natural freedom" which he later stated in his book *The Wealth of Nations*.<sup>30</sup> And in 1759, Smith published a book entitled *Theory of Moral Statement*, a work that was very widely known even in Germany and France.<sup>31</sup>

With the lifetime pension funds, he obtained from the Duke's service, in 1767 Smith returned to his native Kirkcaldy to care for his ailing mother and

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<sup>27</sup> Eamonn Butler, *Adam Smith – A Primer*, (Great Britain: The Centre for Independent Studies Limited, 2008), p. 19

<sup>28</sup> Eamonn Butler, *Adam Smith – A Primer*, ..... , p. 19-20

<sup>29</sup> James Otteson, *The Essential Adam Smith*, (Canada: Fraser Institute, 2018), p. 4

<sup>30</sup> Adam Smith, *Inquiry into The Nature and Causes of the Wealth of Nations*, diterjemahkan oleh Haz Algebra, (Manado: Global Indo Kreatif, 2019), p. 893

<sup>31</sup> Cuk Ananta Wijaya, "Filsafat Ekonomi Adam Smith", *Jurnal Filsafat*, Vol. 19 No. 1, April 2009, p. 3

also went on to write his book *The Wealth of Nations*. And in the end, this book was published on March 9, 1776.<sup>32</sup> He in Edinburgh on 19 July 1790. But his work continues to live today and he became a guiding light whose love for freedom made the 19th century the most peaceful period in modern history.<sup>33</sup>

## RESULT AND ANALYSIS

### *Tax Principles According to Abu Yusuf*

First, Kharaj according to the language means al-kara' which means rent, and al-ghullah which means result. Meanwhile, according to the term, it is a right given by Allah to the Muslims of the infidels. It is a right imposed on land that has been seized from the infidels, through war and peace. And if they embraced Islam after the conquest then their land status was kharajiyah (taxable).<sup>34</sup>

Kharaj was first enforced in Sawad, Kufah, and Iraq. Before Islam came to power, this region was already ardhkharajiyah (an area levied on agricultural taxes) when Persia was still in power. The policy of enactment of kharaj by Abu Yusuf is taken from the policy that had been imposed during the time of Umar ibn Khattab, this has been narrated in the book of *Al-Kharaj*.<sup>35</sup>

Some of the reasons Umar bin Khattab did not share the lands of the Levant and Iraq was that the territory of the Islamic state was already very large, with a large area, so the borders also expanded, and the state apparatus also increased. Therefore, the state needs some funds to organize all of that.<sup>36</sup>

Second, usyur, or what is now better known as customs clearance, is not listed in the Qur'an. Usyur first took effect during the time of caliph Umar ibn Khattab, because it was because Abu Musa Al-Asy'ari wrote a letter to him telling him that Muslim traders who came to the infidel area of harbi were

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<sup>32</sup> James Otteson, *The Essential Adam Smith*,....., p. 5

<sup>33</sup> Adam Smith, *Inquiry into The Nature and*, ..... , p. 895

<sup>34</sup> Nurul Huda dan Ahmad Muti, *KeuanganPublik Islam*....., p. 77

<sup>35</sup> Abu Yusuf Ya'qub bin Ibrahim, *Kitab Al-Kharaj*, (Beirut: Dar Al-Maarifa: 1979), p. 24-25

<sup>36</sup> Nurul Huda dan Ahmad Muti, *KeuanganPublik Islam*....., p. 79

subject to *usyur* (1/10), then Umar ordered that he also take the same amount of tax from them and the *dzimmah* 5% and from the Muslims 2.5% with a minimum limit on the amount of merchandise reaching 200 dirhams.<sup>37</sup>Third, *jizyah* is a head tax for non-Muslims who enter the territory and protection by the Islamic government.<sup>38</sup>

### **Equity Principles**

The principle of equity or better known as the principle of justice is related to this principles Abu Yusuf in collecting taxes for his people applies the principle of justice. Some of the provisions that Abu Yusuf wrote in the book of *Al-Kharaj*.<sup>39</sup>In this paper, Abu Yusuf explained that the agricultural land during the time of Umar bin Khattab was different from the condition of agricultural land during the time of Harun ar-Rasyid. If in the time of Umar productive agricultural land was very abundant while in the time of ar-Rasyid the area of productive agricultural land was very small. If the tax is collected by the previous provisions, the people will not be able to pay the tax because the land is no longer productive. Then Abu Yusuf reconstructed the old system with the new one. He advised the caliph ar-Rasyid to enact the *muqassamah* system.<sup>40</sup>

From the writing it is very clear that Abu Yusuf built a transparent economic order, he did not want any tyranny to occur between the government and the people. In addition to fairness in land taxes, this justice is also applied in *usyur* and *jizyah*.<sup>41</sup>Abu Yusuf decreed *jizyah* to non-muslim people and was

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<sup>37</sup> Nurul Huda dan Ahmad Muti, *Keuangan Publik Islam.....*, p. 91

<sup>38</sup> Nurul Huda dan Ahmad Muti, *Keuangan Publik Islam.....*, p. 101

<sup>39</sup> Abu Yusuf Ya'qub bin Ibrahim, *Kitab Al-Kharaj.....*, p. 47-48

<sup>40</sup> Abu Yusuf Ya'qub bin Ibrahim, *Kitab Al-Kharaj.....*, p.49

<sup>41</sup> Abu Yusuf Ya'qub bin Ibrahim, *Kitab Al-Kharaj.....*, p.122

obliged to men and not women or children. And also, his vote looks at the economic conditions experienced by his people. With the provisions of all this, Abu Yusuf strongly emphasized the principle of justice so that all people continue to feel prosperous and do not feel objections to paying taxes.

### **Certainty Principle**

The principle of certainty or also called legal certainty or legal clarity. Abu Yusuf applied this principle by explaining the provisions relating to kharaj, jizyah, and also usyur.<sup>42</sup> In addition, Abu Yusuf also wrote down the provisions regarding the payment of usyur.<sup>43</sup> With all this explanation Abu Yusuf applied this principle of certainty in collecting taxes and not just thinking about it in his collection.

### **Convenience Principle**

The principle of convenience or the principle of convenience. The purpose of the principle of convenience here is the convenience of time in paying so that it does not burden taxpayers. Abu Yusuf set the payment of taxes as low as possible so as not to burden the taxpayers and also not to harm the government. In addition to easing the payment of taxes, Abu Yusuf also justified the taqbil or qibalah system. Taqbil himself is a leader employing someone for about a year to collect taxes outside his area.

### **Principle of Cost-effectiveness**

The principle of cost-effectiveness is a principle where tax collection must be effective or it means that the funds collected must be greater than the funds spent when collecting taxes. In the book *Al-Kharaj* Abu Yusuf writes that there are five state expenditures, namely the salaries of civil servants, judges, and tax managers; army facilities for defense; improving irrigation; creation of waterways, and the facilities of the inmates.<sup>44</sup> Abu Yusuf explains that the

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<sup>42</sup> Abu Yusuf Ya'qub bin Ibrahim, *Kitab Al-Kharaj*,..., p. 50

<sup>43</sup> Abu Yusuf Ya'qub bin Ibrahim, *Kitab Al-Kharaj*,..., p. 132-133

<sup>44</sup> Nurul Huda dan Ahmad Muti, *Keuangan Publik Islam*....., p. 123

government should bear all expenses used by public services whose benefits go back to all communities. In terms of expenditure, Abu Yusuf suggested that the property issued from the baitul mal, in addition to fixed expenditures and benefiting the people, should also have added value in the form of more tax revenues.<sup>45</sup>

### **Tax Principles According to Adam Smith**

In his book, Adam Smith discusses many things about the economy, one of which is taxation. According to Adam Smith, the source of tax revenue comes from several things, as he explains in his book.<sup>46</sup>Based on this writing, Adam Smith explained that the source of taxation comes from three things, namely rent, profit, and wages. Next, Adam Smith explained one by one the source of the tax. *First*, is the tax on rent, this tax is divided into two, namely, land rental tax and also house rental tax.<sup>47</sup>*Second*, namely taxes on profits or income arising from stocks.<sup>48</sup>*Third*, taxes on wages of work. According to Adam Smith, the lower working-class wages are governed by two different circumstances, namely the demand for labor, and the price of ordinary or average necessities.<sup>49</sup>

### **Equity Principles**

The principle of equity,Adam Smith explained that the principle of equity is meant that every citizen must contribute to supporting the state, namely by paying taxes. But the payment must be proportional to their respective abilities or proportional to the respective incomes they enjoy under the protection of the state.In previous discussions, Adam Smith had explained

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<sup>45</sup> Nurul Huda dan Ahmad Muti, *KeuanganPublik Islam.....*, p. 127

<sup>46</sup> Adam Smith, *Inquiry into The Nature and Causes of the Wealth of Nations*, (Lausanne: Metalibri, 2007), p. 639

<sup>47</sup> Adam Smith, *Inquiry into The Nature .....*, p. 641

<sup>48</sup> Adam Smith, *Inquiry Into The Nature .....*, p. 661-662

<sup>49</sup> Adam Smith, *Inquiry Into The Nature .....*, p. 671

that the taxes levied were imposed on all the people, whether they received low wages or high wages. And also, taxes are levied on all its people who consume goods because all taxes are imposed on consumers.

### **Certainty Principle**

The principle of certainty or also called the principle of certainty. In this principle, Adam Smith explained that the principle of certainty here is definitely in the time of payment, the mode of payment, and the amount paid must not be arbitrary. Because according to Adam Smith, without certainty, this will increase taxes on every contributor, encourage insolence, and support people for corruption. What Adam Smith wrote in his book<sup>50</sup> and also, according to Adam Smith certainty about what each individual must pay in taxation is a very important issue for each nation so that each country will minimize this uncertainty.

### **Convenience Principle**

The principle of convenience or the principle of convenience. In this principle, Adam Smith explained that any tax must be collected in due course, or in a way that it is very likely that the taxpayer will be comfortable paying it.<sup>51</sup> Suppose that the tax on the rent of the land or house, paid on the same period as the payment of the rent of another, is levied at the time when it is most likely for the contributor to pay it or when he most likely has what is necessary to pay it. Taxes on consumables such as luxury goods, of them are finally paid by consumers, and generally in a way that is very convenient for them. He pays little by little when he has the opportunity to buy things.<sup>52</sup>

### **Principle of Cost-effectiveness**

The principle of cost-effectiveness is a principle was regulating the cost of collecting taxes is tried to save as much as possible, lest the cost of collecting

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<sup>50</sup> Adam Smith, *Inquiry Into The Nature* ....., p. 640

<sup>51</sup> Adam Smith, *Inquiry Into The Nature* ....., p. 640

<sup>52</sup> *Ibid*



taxes is greater than the proceeds of tax collection. According to Adam Smith, 4 ways cause this principle not to be implemented, they are: the more costs incurred by the government to collect taxes; the less tax revenue can be used for development, the imposition of too high a tax, will reduce tax revenues over time, destructive tax rates will encourage tax evasion and complicated tax payment procedures and burdening taxpayer time thereby reducing economic efficiency. All this is written in the book of Abu Yusuf.<sup>53</sup>

### **Comparison of The Tax Principles of Abu Yusuf and Adam Smith**

Based on previous discussions, researchers found some similarities and differences between the tax principles of Abu Yusuf and Adam Smith. In the discussion of the types of taxes levied between Abu Yusuf and Adam Smith, there are differences between the two. According to Abu Yusuf, the types of taxes levied at that time were kharaj, usyur, and jizyah. Where kharaj here is not a land rent tax, but a tax on productive land.

Meanwhile, according to Adam Smith, the types of taxes collected include three sources, namely rent, profit, and wages. The rent tax is in the form of land rent tax and the rent of houses or buildings, and this tax was never invented in the time of Abu Yusuf. Then the profit tax on income arising from stocks, or that is taxes on consumables charged to consumers. This tax was also not collected at the time of Abu Yusuf. And lastly is the wage tax of workers paid after obtaining wages, and this was also never collected in the time of Abu Yusuf.

In the discussion of the principle of equity or justice, researchers found the difference between Abu Yusuf and Adam Smith. According to Abu Yusuf, equality here is not for all its citizens, but equality or fairness of this tax is

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<sup>53</sup> Adam Smith, *Inquiry Into The Nature .....*, p. 640

collected from people who are taxpayers and according to the income they get. Namely, Abu Yusuf reconstructed the system into a muqassamah system. Meanwhile, according to Adam Smith, the justice here is that all people must contribute to taxes but still follow the income they get.

Meanwhile, in the discussion of the principle of certainty, researchers also found differences between the two. According to Abu Yusuf, the principle of certainty here is clarity, that is, clarity in the provisions that Abu Yusuf stipulates regarding the payment of taxes. Both in kharaj, usyur and jizyah. Everything is set out in his book Al-Kharaj. Meanwhile, according to Adam Smith, the principle of certainty here is a certainty, namely certainty in the time of payment, the method of payment, and the amount that must be paid by the people.

In the discussion of the principle of convenience, there is a difference of opinion between Abu Yusuf and Adam Smith. According to Abu Yusuf, the principle of convenience here is relief in paying taxes that do not burden taxpayers very much, and also the collection of taxes that do not go through violence and tyranny. As well as people who collect taxes are very trusted by the people so the people are comfortable paying taxes. Meanwhile, according to Adam Smith, convenience here is time to pay taxes. That is when the people receive wages and buy goods. So that the people will be comfortable paying because they have money to pay taxes.

And lastly, in the discussion of the principle of cost-effectiveness Abu Yusuf and Adam Smith have a difference of opinion. Where Abu Yusuf argued that the payment of taxes should be as minimal as possible, but the servants given to the people still pay attention to their welfare. Even the government is trying to improve infrastructure so that tax revenues also increase. Meanwhile, Adam Smith only explained that the expenditure to collect taxes should be as minimal as possible rather than the taxes collected.

## CONCLUSION

Based on the discussion that has been discussed by the researcher, it can be concluded that the tax collected during the time of Abu Yusuf was kharaj or productive land tax, usyur or tax on goods sold, and also jizyah or protection tax for non-Muslims. And also, Abu Yusuf changed the old system to the muqasamah system, where this system strongly emphasized fairness in tax collection. Change the taqbil system to be better and trustworthy by the people, so that the people can be comfortable in paying taxes. The difference between Abu Yusuf and Adam Smith is very obvious, from the taxes collected, Abu Yusuf does not collect taxes on land rent, house rent, and also wage taxes. And also, Abu Yusuf strongly emphasized fairness where taxes are levied on taxpayers according to their abilities and do not burden taxpayers. And also collect taxes as low as possible but do not forget about the welfare of their people. These are some things that cannot be found in the principles put forward by Adam Smith.

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