

# ***Al-Khumus: A Potential Contemporary Viable Fiscal Solution for Sustainable Development***

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**Abstract:** *Al-khumus is a religious obligation in Islam that requires individuals to donate one-fifth of their annual increase in wealth to charitable causes. In the pursuit of innovative fiscal solutions for sustainable development challenges, al-khumus represents a significant underutilisation of traditional mechanisms, which could be reimagined as a modern funding source. The objective of this study is to review al-khumus as a potential contemporary viable fiscal solution for sustainable development. This study utilised a review analysis methodology to investigate the feasibility of al-khumus as a modern fiscal solution for sustainable development. The literature inclusion criteria emphasised studies published in the past twenty years that examined the principles of al-khumus, its historical importance, and its relevance in modern fiscal systems. The review analysis revealed a few viable fiscal solutions of al-khumus for sustainable development, namely: (a) increased government revenue; (b) reduced poverty and inequality; (c) sustainable economic growth; and (d) enhanced social welfare. In conclusion, this study highlights the potential of al-khumus as a viable fiscal solution for sustainable development, emphasising its alignment with ethical funding principles and its role in fostering social solidarity within Muslim communities. Further studies on this topic should involve empirical investigations to evaluate the practical implementation of al-khumus across diverse economic contexts, especially in nations with significant Muslim populations.*

**Keywords:** *al-khumus*, Islamic finance, sustainable development, charitable giving, fiscal policy, ethical funding

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## **1. Introduction**

*Al-khumus* is a religious obligation in Islam that requires individuals to donate one-fifth of their annual increase in wealth to charitable causes. This increase generally includes profits derived from business activities, agricultural production, and mineral resources. The concept of *al-khumus*, grounded in Islamic teachings, has been practised for centuries, originating during the time of the Prophet Muhammad. This is regarded as a type of *zakat*, which is a broader Islamic principle of mandatory charity, particularly within the Ja'fari school of thought (Rodin, 2013). *Al-khumus* has historically served to support diverse social and economic initiatives, including the construction of mosques, provision of education, assistance to the impoverished, and financing of public works projects. It was instrumental in the formation of early Islamic societies. The concept of *al-khumus* remains pertinent in modern contexts, as numerous Muslim communities globally employ diverse methods for the collection and distribution of

these funds. The specific practices may differ among various Islamic traditions and jurisdictions; however, the fundamental principle of *al-khumus* remains consistent (Sachedina, 1980).

In the pursuit of innovative fiscal solutions for sustainable development challenges, *al-khumus* represents a significant underutilisation of traditional mechanisms, which could be reimaged as a modern funding source. *Al-khumus* originated as a ritual obligation to allocate one-fifth of material gains to God, the Prophet, and their relatives (Calder, 1982). Nations face rising demands for social welfare, environmental stewardship, and economic resilience. The integration of *al-khumus* into modern fiscal frameworks offers an opportunity to apply its principles to current needs. The implementation of *al-khumus* can be integrated into existing economic systems, offering a sustainable and ethical alternative to traditional taxation methods. By analysing its workings, possible uses, and compatibility with SDGs, this research seeks to show *al-khumus* as a workable fiscal solution that can promote inclusive growth and tackle the complex issues that modern societies face, rather than just as a holdover from earlier financial practices.

The objective of this study is to review *al-khumus* as a potential contemporary viable fiscal solution for sustainable development. This study provides substantial advantages for economic and social structures. This mechanism offers ethical funding following Islamic finance principles, promoting involvement from Muslim communities reluctant to participate in traditional taxation. Modern economic mechanisms for social and solidarity financing facilitate objectives such as environmental protection, cultural development, education, healthcare, and social security (Sotnyk et al., 2023), including *al-khumus*. Integrating *al-khumus* into fiscal policies enables governments to diversify revenue streams, thereby decreasing dependence on traditional taxes and improving financial resilience. Adapting *al-khumus* can foster a sustainable and inclusive economic model that aligns with global sustainable development goals, benefiting both individuals and societies.

## 2. The Brief Concept of *Al-Khumus*

The concept of *al-khumus* exemplifies humanity's devotion to Allah SWT, as demonstrated by the Prophet Muhammad (PBUH). The historical implementation began with Abd al-Muttalib, the grandfather of Muhammad PBUH, and this practice has been consistently maintained throughout Islamic governance, with diverse interpretations provided by successive Islamic caliphs. *Al-khumus* is identified as a tax that the Muslim community was obligated to pay during the era of the Prophet PBUH, who held the position of head of state (JAKIM, 2023). The implementation of *al-khumus* serves as a crucial source of national revenue, providing funding for staff salaries and government resources. *Al-khumus* emphasises the spiritual aspect of wealth and is integral to the economic framework of the Islamic state. The enduring relevance underscores the necessity of upholding ethical financial practices within the community.

In the Quran, *al-khumus* was mandated after the revelation of a specific verse during the Battle of Badr in Ramadan in the 2nd year of Hijri (Ibn Hisham, 1975). This conflict is also known as the Day of the Quran (al-yawm al-furqan). Subsequently, the Islamic state of Medina started to generate revenue from the results of multiple conflicts within the Islamic territories. This initiates the discourse on *al-khumus*, with the term *ghanimah* (spoils of war) (Qur'an 2020, chapter 8, verse 41) serving as a central point for Quranic scholars in identifying the sources of wealth applicable to *al-khumus*. This historical context demonstrates the interconnection

between *al-khumus* and the socio-political dynamics of early Islamic society. It reflects the changing interpretations of wealth distribution following Islamic principles.

Additionally, a hadith narration outlines the history of *al-khumus* during the lifetime of Muhammad PBUH's grandfather, Abd al-Muttalib (Al-Bukhari, 2022, hadith no. 1428; Muslim, 2023, hadith no. 1710). Allah SWT communicated His directive to Abd al-Muttalib via a dream, coinciding with his rediscovery of the Zamzam well and the subsequent discovery of numerous valuable treasures that had been left since the era of Ismail PBUH (Ibn Sa'd, 1990; Ahmad, 1992). Worried about the possibility of the treasures being seized by the enemy, he opted to dedicate one-fifth of the treasure to the cause of Allah SWT, keeping the rest for himself (Ibn Ishaq, 2001). This narrative elucidates the origins of *al-khumus* and examines the ethical considerations related to wealth and its distribution within Islamic culture. This highlights the obligation of those with wealth to utilise their resources for the benefit of society. Subsequent to this event, the practice of *al-khumus* established itself as a persistent tradition within his family until the initial migration of Muhammad (PBUH), who similarly followed this principle (Guillaume, 1995). Consequently, the history of *al-khumus* was first documented not through war spoils but from buried treasures (Guillaume, 1995). Thus, it is evident that, according to the Qur'an, the implementation of *al-khumus* is obligatory for Muslims, as the property owned by a Muslim is not merely an absolute human right (Al-Tabari, 1997); instead, one-fifth of it must be allocated to the specified beneficiaries outlined in the Quran. In conclusion, the practice of *al-khumus* functions as an essential mechanism for promoting economic justice and enhancing community welfare within Islamic teachings. The ongoing significance highlights the necessity of following these principles in modern society.

### 3. Literature Review

Recent studies examine *al-khumus* as a viable fiscal mechanism for sustainable development. This Islamic tax is identified as a factor in economic growth and is mandatory for citizens to support sustainable development (Shahrudin et al., 2022). Historical Islamic fiscal policies, such as *al-khumus*, have effectively promoted economic growth and may be adapted to tackle current fiscal challenges (Junaedi & Salistia, 2019). During crises like the COVID-19 pandemic, Islamic nations have encountered significant strain on their fiscal budgets. Researchers propose fiscal policies inspired by historical Islamic empires' responses to plagues and famines, emphasising voluntary and mandatory resource redistribution. These policies include early payment of *zakat*, extrabudgetary funds, wealth tax, and the use of excess bank reserves (Khair & Bilen, 2022). Moreover, historical precedents established during the Fatimid Dynasty demonstrate the effectiveness of such systems in promoting economic prosperity, as indicated by the flourishing trade and economic conditions in Egypt during that period (Fardani, 2024). The incorporation of *al-khumus* into contemporary fiscal policies may enhance public finance, especially in developing countries where conventional tax systems may prove insufficient.

The relationship between taxation and economic growth is established in economic literature. Research demonstrates that efficient tax revenue systems can promote economic growth by supplying essential funding for public goods and services, thereby improving productivity and economic activity (Mohamed, 2022). The implementation of *al-khumus* may enhance public finance, enabling governments to allocate resources towards infrastructure, education, and healthcare, which could contribute to a more sustainable economic environment. The historical analysis of Ibn Khaldun's concept of a fair tax indicates that it should be levied based on taxpayers' ability to pay, with the collected funds utilised appropriately and equitably for public

welfare and economic development (Maulidizen, 2019). The principles of Islamic finance prioritise ethical investment and social welfare, which correspond with modern objectives of sustainable development (Khan, 2019).

Furthermore, the effective management of public finances, including the implementation of systems such as *al-khumus*, can significantly influence a nation's economic trajectory. Studies demonstrate that improper management of public finances may result in negative consequences, including heightened poverty and unemployment (Mishi et al., 2022). Implementing a structured approach to public finance, such as *al-khumus*, enables governments to strengthen their fiscal capacity and subsequently enhance economic conditions. The incorporation of sustainability accounting and reporting within public finance is a vital element that supports the execution of *al-khumus*. Sustainability accounting offers a framework for evaluating the economic, environmental, and social effects of public sector activities (Kaur & Lodhia, 2019). This alignment is crucial for building public trust and ensuring that fiscal measures positively impact societal welfare. Accountability in sustainability reporting significantly bolsters the credibility of public finance initiatives, thereby increasing their acceptability among the populace (Misiuda & Lachmann, 2022).

The implementation of *al-khumus* may enhance public finance and promote social equity. The Islamic principle of wealth redistribution, exemplified by *al-khumus*, seeks to mitigate income inequality and assist marginalised communities. This is especially pertinent in the current context, as income disparity presents considerable challenges to social cohesion and economic stability (Quadri et al., 2023). Governments can utilise funds generated from *al-khumus* to enhance social welfare programs, effectively addressing critical issues such as poverty alleviation, education, and healthcare access, thus promoting a more equitable society. In addition, the historical background of *al-khumus* offers important information about how well it could work in modern environments. The Fatimid Dynasty effectively utilised tax revenues for public welfare and economic development, providing a model for contemporary nations aiming to improve their fiscal frameworks (Fardani, 2024). The insights gained from this historical precedent highlight the necessity of incorporating ethical considerations into fiscal policies, ensuring that revenue-generation mechanisms such as *al-khumus* serve the common good.

The economic implications of *al-khumus* extend beyond immediate financial advantages. Fostering a culture of ethical investment and social responsibility can stimulate economic growth in *al-khumus* by enhancing consumer confidence and encouraging investment in local businesses. The principles of Islamic finance prioritise community welfare, motivating individuals and businesses to invest locally, which contributes to a stronger and more resilient economy (Osman & Elamin, 2023). This dynamic may establish a positive feedback loop, wherein heightened economic activity bolsters public finance, facilitating ongoing investment in sustainable development initiatives. Moreover, the implementation of *al-khumus* can act as a catalyst for wider economic reforms. The adoption of this fiscal mechanism by governments may necessitate a reevaluation of current tax structures and public finance management practices. The process may result in the formulation of inclusive and effective fiscal policies that emphasise sustainable development and social equity (Syamsuri, 2021). The incorporation of *al-khumus* into national fiscal frameworks can catalyse systemic change in the management and approach to public finance.

In summary, *al-khumus* offers a feasible modern fiscal approach for sustainable development. The historical effectiveness, potential to enhance public finance, promotion of social equity,

and alignment with sustainability principles render it a compelling option for contemporary economies. Adopting this Islamic fiscal mechanism enables governments to tackle significant economic issues while promoting a more equitable and sustainable future. Historical precedents and contemporary economic theories highlight the necessity of incorporating ethical considerations into fiscal policies. This integration ensures that revenue generation mechanisms, such as *al-khumus*, positively impact societal welfare and economic stability.

#### 4. Methodology

This study utilised a review analysis methodology to investigate the feasibility of *al-khumus* as a modern fiscal solution for sustainable development. The main terms that directed the literature search were “*al-khumus*,” “Islamic finance,” “sustainable development,” “charitable giving,” “fiscal policy,” and “ethical funding.” A thorough search was performed across multiple academic databases, such as JSTOR, Scopus, Google Scholar, and Web of Science. The selected databases contain extensive collections of peer-reviewed articles and scholarly publications in economics, finance, and social sciences, essential for understanding the implications of *al-khumus* in contemporary contexts. The search process utilised Boolean operators to refine results and capture relevant literature. This study incorporated grey literature, including reports from reputable NGOs and government publications, to enhance understanding of the practical applications of *al-khumus* within contemporary fiscal frameworks.

The literature inclusion criteria emphasised studies published in the past twenty years that examined the principles of *al-khumus*, its historical importance, and its relevance in modern fiscal systems. Furthermore, literature must undergo peer review to guarantee a comprehensive understanding of the subject matter. The exclusion criteria removed articles that did not specifically focus on *al-khumus* or Islamic finance, along with those lacking empirical or theoretical foundations. The review process entailed a systematic analysis of the selected literature, synthesis of key findings, and identification of gaps in the current understanding of *al-khumus*. This involved a thematic analysis to establish connections between the literature and the sustainable development goals, ultimately demonstrating how *al-khumus* could serve as a viable fiscal solution for current economic challenges. The synthesis of these findings established a solid basis for examining the implications of *al-khumus* in contemporary fiscal policy frameworks.

#### 5. Results and Discussion

The review analysis revealed a few viable fiscal solutions of *al-khumus* for sustainable development, namely: (a) increased government revenue; (b) reduced poverty and inequality; (c) sustainable economic growth; and (d) enhanced social welfare.

##### (a) Increased Government Revenue

*Al-khumus*, a wealth tax, has the potential to substantially increase government revenue by diversifying income streams and diminishing dependence on fluctuating oil revenues. The implementation of a transparent and efficient *al-khumus* collection system could significantly enhance investment in public services and infrastructure development. Research demonstrates a positive correlation between increased tax revenues and government spending, especially in health and education sectors, which can enhance public welfare and stimulate economic growth (Kreishan et al., 2018; Sahed et al., 2020). Moreover, effective revenue mobilisation strategies, such as the implementation of local and property taxes, can enhance local government finances,



thereby promoting increased fiscal autonomy and accountability (Mwanga et al., 2020; Rutto et al., 2022).

Moreover, the relationship between government revenue and expenditures indicates that increased revenues may result in higher public spending, subsequently stimulating economic activity (Rotimi et al., 2022; Luković & Grbić, 2014). The cycle of revenue generation and expenditure is essential for sustainable development, particularly in areas reliant on specific revenue sources such as oil (Raifu & Raheem, 2018). *Al-khumus* can function as an essential instrument for governments seeking to stabilise and improve their fiscal positions while advancing wider economic goals. Additionally, the integration of *al-khumus* into fiscal frameworks allows governments to diversify revenue sources, thereby mitigating vulnerability to fluctuations in conventional income streams, including oil and taxes. Diversification enhances economic resilience and aligns with sustainable development goals by directing funds to essential sectors such as education, healthcare, and infrastructure.

Recent studies indicate that *al-khumus* may enhance government revenue and support economic sustainability. *Al-khumus* is an obligatory Islamic tax for citizens that contributes to sustainable development. It is regarded as a significant source of state revenue in conjunction with other Islamic financial instruments, including *zakat*, *ghanimah*, *fai*, *kharaj*, *ushr*, and *jizyah* (Mubarak, 2021). Historically, these revenue sources have significantly contributed to Islamic economic development and may be adapted to address contemporary fiscal challenges, such as budget deficits (Junaedi & Salistia, 2019). Although certain concepts are pertinent to contemporary public finance sources in Indonesia, their application may vary in terms of system or magnitude (Hamdi & Widiastuti, 2022). These studies indicate that Islamic financial instruments, such as *al-khumus*, may enhance national economic sustainability when implemented effectively.

### **(b) Reduced Poverty and Inequality**

*Al-khumus* has the potential to significantly contribute to the reduction of poverty and inequality. Funds generated from *al-khumus* may be allocated to targeted poverty reduction programs, social welfare initiatives, and educational opportunities, thereby promoting a more equitable distribution of wealth and decreasing poverty rates. *Al-khumus* can improve social welfare and economic equity through the redistribution of wealth from the affluent to the less fortunate. Research demonstrates that effective redistribution mechanisms, including *zakat* and comparable financial assistance, substantially reduce poverty and enhance income distribution in diverse contexts, such as Indonesia and Pakistan (Hasan & Ali, 2019). The implementation of such systems may result in heightened public expenditure on essential services, such as education and healthcare, which are vital for long-term poverty alleviation (Noor, 2024; Edeh et al., 2023).

Moreover, the positive impact of *al-khumus* on poverty reduction is evidenced by the effectiveness of targeted financial aid in improving the living standards of marginalised communities (El Ayyubi & Saputri, 2018). Thus, integrating *al-khumus* into broader economic policies can promote sustainable development and social equity, thereby aiding in the reduction of poverty and inequality. The redistribution of wealth enabled by *al-khumus* can bridge the gap between various socio-economic groups, fostering a more inclusive society where resources are allocated according to need. This method alleviates immediate financial pressures while promoting self-sufficiency by funding local initiatives and entrepreneurship in disadvantaged communities. Establishing a framework that promotes transparency and

accountability in the management of *al-khumus* funds can enhance public trust and ensure the maximisation of benefits from this fiscal tool for the greater good.

Recent research underscores the capacity of Islamic financial instruments to mitigate poverty and inequality. *Al-khumus*, is suggested as a factor in promoting economic growth and sustainable development. Similarly, *zakat*, an Islamic obligation, is examined as a mechanism for poverty alleviation and the reduction of income inequality in Malaysia (Md Husin et al., 2021). Research in Aceh, Indonesia indicates that the number of muzakki (*zakat* payers) may reach 3 million, which could lead to a 3.25% reduction in the poverty rate (Pratama & Rahadiana, 2020). The research identifies economic size and the average number of dependents as significant determinants affecting the number of *muzakki*. Researchers advocate for enhanced data and program synchronisation between government entities and *zakat* institutions to optimise the effectiveness of Islamic financial instruments (Pratama & Rahadiana, 2020). The findings highlight the capacity of Islamic financial mechanisms to address socioeconomic challenges.

### (c) Sustainable Economic Growth

*Al-khumus* can play a crucial role in fostering sustainable economic growth through the promotion of equitable wealth distribution and the enhancement of social welfare. Investment in sustainable development projects, including renewable energy, clean technology, and environmental conservation, promotes long-term economic growth while reducing adverse environmental effects. The implementation of *al-khumus*, which requires the allocation of a portion of wealth for community benefit, is consistent with the *maqasid al-shariah* framework, highlighting the significance of social justice and economic equity (Mursid et al., 2024; Karimullah, 2023). Utilising *al-khumus* within a structured fiscal policy enables governments to establish a sustainable economic model that addresses urgent social challenges while fostering environmental stewardship and enhancing community resilience.

Furthermore, the incorporation of Islamic economic principles, as proposed by Ibn Khaldun, may significantly improve economic development by emphasising justice and communal welfare (Mafrudlo et al., 2024; Thaha & Rezeky, 2023). This approach addresses poverty while promoting entrepreneurship and vocational training, especially among marginalised groups, thus fostering inclusive economic growth (Amuda, 2021; Rauf et al., 2022). The principles of *al-khumus* provide a strong framework for sustainable economic development in modern contexts. The focus on social justice within Islamic economic principles can result in the formulation of equitable economic policies that prioritise the needs of marginalised communities. This emphasis on communal welfare promotes collaboration between public and private sectors, enhancing partnerships that can increase the effectiveness of *al-khumus* in advancing economic initiatives.

Recent studies indicate that *al-khumus* may play a significant role in promoting economic growth and sustainability within Muslim countries. *Al-khumus* is regarded as a mandatory tax that contributes to sustainable development and mitigates budget deficits. In oil-dependent economies such as Saudi Arabia, diversification strategies that promote non-oil exports, tourism, and renewable energy have demonstrated beneficial impacts on economic growth (Waheed et al., 2020). These strategies may diminish reliance on oil and promote sustainable economic growth. Gulf Cooperation Council (GCC) countries encounter difficulties in diversifying their economies, tackling youth unemployment, and achieving equilibrium in labour markets (Mohamed, 2020). Despite advancements in governance and infrastructure,

GCC countries require enhanced innovation and human resource development to attain sustainable economic growth (Jayyousi et al., 2023).

#### **(d) Enhanced Social Welfare**

*Al-khumus* can enhance social welfare through the promotion of equitable wealth distribution and the funding of community projects. The revenue generated from *al-khumus* can be allocated to social welfare programs, such as healthcare, education, and housing, thereby enhancing the overall well-being of the population and fostering a more just and equitable society. The concept is consistent with the principles of Maqasid al-Sharia, which prioritises societal benefit rather than solely profit maximisation, as discussed by Al-Ghazali and others (Amani, 2023). *Al-khumus* can reduce economic disparities and promote social justice through wealth redistribution, which enhances overall community welfare (Al Madani et al., 2020; Supriatna & Jubaedah, 2020).

Moreover, the funds generated through *al-khumus* can be allocated for essential public services and infrastructure, including healthcare and education, which are vital for societal development (Hamdi & Widiastuti, 2021). This approach addresses immediate community needs while contributing to long-term sustainable development goals, as evidenced by various Islamic financial models that emphasise social responsibility (Abd Ghadas et al., 2018). Thus, *al-khumus* functions as an essential mechanism for improving social welfare through the equitable allocation of resources that serve the interests of the wider community. Furthermore, the strategic allocation of *al-khumus* funds can enhance the development of critical infrastructure projects, including clean water supply systems and transport networks, which are vital for promoting economic activities and improving quality of life. Investing in public goods enhances connectivity and access to services, thereby stimulating local economies and fostering social cohesion. Ultimately, the effective application of *al-khumus* addresses immediate disparities and establishes a foundation for resilient communities that can adapt to future challenges and attain sustainable development outcomes.

Recent studies indicate that Islamic economic principles may improve social welfare. Al-Ghazali's concept of *maslahat* (social welfare) is consistent with the goals of Village-Owned Enterprises in enhancing community well-being (Suartini & Syafrizal, 2021). Islamic business practices, which emphasise profit, growth, and blessings, can enhance social welfare by fostering a culture that prioritises the benefits for others (Nandang & Ramdhani, 2021). Evidence from Umar bin Al-Khattab's caliphate illustrates the establishment of organised social welfare services aimed at vulnerable populations, such as women, children, and the impoverished (Al-Rousan et al., 2020). Additionally, *al-khumus* is suggested as a potential contributor to economic growth and sustainable development, complementing existing tax systems to meet national expenditure requirements (Shahrudin et al., 2022). The studies indicate that Islamic economic principles significantly contribute to social welfare and economic sustainability.

## **6. Conclusion**

In conclusion, this study highlights the potential of *al-khumus* as a viable fiscal solution for sustainable development, emphasising its alignment with ethical funding principles and its role in fostering social solidarity within Muslim communities. Examining the historical context and modern applications of *al-khumus* reveals that this religious obligation functions as a mechanism for charitable giving while also addressing significant socio-economic challenges in contemporary societies. The incorporation of *al-khumus* into contemporary fiscal systems



may diversify revenue sources and lessen dependence on conventional taxation, thus improving financial resilience and fostering inclusive growth. Additionally, by providing targeted funding for critical sectors like education, healthcare, and environmental protection, *al-khumus* aligns with the United Nations Sustainable Development Goals, presenting a sustainable alternative that promotes collective responsibility and community involvement. Governments and policymakers are exploring innovative solutions to address the complexities of modern economic landscapes. The application of *al-khumus* offers a potential means to leverage its principles for societal benefit, thereby fostering a more equitable and sustainable future.

Further studies on this topic should involve empirical investigations to evaluate the practical implementation of *al-khumus* across diverse economic contexts, especially in nations with significant Muslim populations. Studies may include case analyses of communities that have effectively incorporated *al-khumus* into their fiscal frameworks, assessing the effects on social welfare and economic development. Comparative studies may prove advantageous by analysing *al-khumus* in conjunction with other charitable giving forms and taxation methods, thereby elucidating its distinct benefits and possible challenges. It is essential for researchers to investigate the viewpoints of key stakeholders, such as policymakers, community leaders, and beneficiaries, to enhance understanding of the practical implications and cultural significance of *al-khumus*. Interdisciplinary approaches that integrate insights from economics, sociology, and Islamic studies can enhance the discourse on *al-khumus*, enabling a thorough examination of its potential as a sustainable fiscal solution to contemporary global challenges.

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