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# PROFESSIONAL ZAKAH AND TAXATION IN INDONESIA: EFFECTIVENESS, DISTRIBUTIVE JUSTICE, AND A SHARIA-BASED COMPARISON WITH MALAYSIA AND SAUDI ARABIA

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## ABSTRACT

*In recent years, several countries have begun introducing professional zakah as an effort to distribute wealth more equitably. The establishment of professional zakah regulations and policies has created new perceptions and had a significant impact on the society. Some countries have similarities in managing zakah and taxes, while others use different models. In fact, this innovation is conflicting the fatwas issued by several prominent Islamic scholars and its implementation is considered erroneous. This study aims to examine the conformity of professional zakah with Sharia, its effectiveness and contribution compared to modern taxation, and the implementation of professional zakah policy in Indonesia. Considering the ambiguity of this issue, the author analyzed the comparative systems of professional zakah and taxation in Malaysia and Saudi Arabia. The literature review concluded that the principles and management of professional zakah and taxes in Indonesia, Malaysia, and Saudi Arabia are similar, with several differences. Practically, professional zakah is used as a deduction from taxable gross income, or as a reduction of tax payable. However, the collection of zakah can be carried out simultaneously with taxes collected by the government or carried out in a decentralized manner (officially and unofficially). Therefore, the* *differences have a significant impact on increasing zakat and tax collection simultaneously.*

**Keywords:** *Professional zakah, taxation, Indonesia, Malaysia, Saudi Arabia.*

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## 1. INTRODUCTION

The transformation and shift in people's livelihoods from the primary sector (agriculture, fisheries, and mining) to the secondary (industry and manufacturing) and tertiary (services, technology, and services) sectors has undoubtedly had a significant impact on a country. As part of a plan to achieve social equality, development, and prosperity, each country has begun implementing tax collection policies for both its citizens and foreigners who meet the requirements for domestic taxation. Modern taxation is viewed by the public as highly restrictive and oppressive, especially due to its complex system and inconsistent regulations. Numerous cases of tax fraud, such as bribery, tax evasion and elite scandals, have been reported. This highlights the gaps in the modern tax system that the government must address and revise. On the other hand, *zakah*, an obligation imposed on every Muslim possessing wealth above the *nisab* (minimum threshold), has shown positive results year after year. Clear and standardized guidelines, combined with practices aligned with the Quran and Hadith, minimize fraud within the *zakah* system.

The focus of this research is *zakatul mal*, which has a minimum value of 1 Hijri year (*haul*) and *nisab* (wealth above a specified threshold), and does not address *zakatul fitr* (which applies every *Eid al Fitr*). Yusuf Qardhawi (1969), in his work *Fiqh Az Zakah*, introduced a new type of *zakah*: professional *zakah*, which is levied at 2.5% of income each time it reaches the *nisab*. This thinking was influenced by other scholars, such as Abdul Wahhab Khalaf and Abu Zahrah (Riyadi, 2015).

Based on Yusuf Qardhawi's thinking, various countries have competed to implement professional *zakah* as an instrument for national income generation and a source of new hope for their economies. The provisions regarding the obligation of *zakah* on salaries and income were established at the First International Congress on Zakat in Kuwait in 1984 and at the Indonesian *Ulema* Council (MUI) *Fatwa* Commission Session in 2009. The establishment of regulations and policies regarding professional *zakah* created new perceptions and had a significant impact on society. Some countries have similar approaches to managing *zakah* and taxes, but others use different models. In fact, this innovation is inconsistent with the *fatwas* issued by several prominent world scholars and is considered erroneous in its implementation.

A literature review concluded that the principles of professional *zakah* in Indonesia and Saudi Arabia are similar. Nugraha (2021) concluded in his dissertation that there are similarities in fatwas between Indonesian and Saudi Arabian scholars regarding the obligatory law of professional *zakah*. Both view the *'illah* (intrinsic basis) of professional *zakah* as productivity and profit, namely the addition of exchange (money for benefits or services). In terms of its implementation, Indonesia is more like Malaysia in terms of its management, whether carried out by the state or the private sector. In Saudi Arabia, professional *zakah* and taxes are interconnected, and the collection of professional *zakah* is carried out concurrently with taxes levied by the government through the Ministry of Finance. While in Indonesia, professional *zakah* is used as a deduction from taxable gross income, Malaysia considers income *zakah* a tax deduction for individual *zakah* payers. In other words, if a citizen chooses to pay *zakah*, the *zakah* paid will be reduced by the taxable income. The literature review revealed a lack of freshness in the data obtained; therefore, the author will conduct an assessment using the latest data and supplementary discussion from a sharia perspective.

This research was conducted using a literature review method, utilizing various library sources and secondary data obtained from scientific publications, official reports, and relevant internet articles related to professional *zakah* policies in Indonesia, Malaysia, and Saudi Arabia. This research is crucial to determine the suitability of professional *zakah* with sharia, its effectiveness, and its contribution compared to modern taxation, as well as the implementation of professional *zakah* policies in Indonesia. Due to the uncertainty surrounding this issue, the study ultimately examined the comparative management models for professional *zakah* and taxes in Malaysia and Saudi Arabia. The differences in *zakah* and tax management models in these three countries: Indonesia, Malaysia, and Saudi Arabia, have been shown to have a significant impact on increasing both *zakah* and tax collection.

## 2. REVIEW OF LITERATURE

### 2.1 Definition of Zakah

Zakah is stipulated in Law Number 23 of 2011, specifically in Article 1 Paragraph (1), which states: "Zakah is wealth that must be distributed by a Muslim or business entity to be distributed to those entitled to receive it in accordance with Islamic law." The zakah referred to here is *zakatul mal* and *zakatul fitr*. *zakatul mal*, as stipulated in Article 4 Paragraphs (1) and (2) of Law Number 23 of 2011, includes *zakah* on gold, silver, and other metals; money and other securities; commerce; agriculture, plantations, and forestry; livestock and fisheries; mining; industry; income and services; and *rikaz* (found goods).

This legal understanding aligns with the literal meaning of *zakah*, which means "growth" and "development." Zakah is performed as a form of purification of the soul from stinginess and sin. The arguments for the commandment of *zakah* are confirmed in Surah Al-Baqarah verse 177. Allah mentions in this verse several virtues, including giving charity to the wealth one loves and paying *zakah*. Then Allah closed it by stating that people who give alms, pay *zakah* and have other qualities mentioned in the verse above are pious people.

Furthermore, *zakah* also has a concrete socio-economic dimension. Economically, *zakah* will produce economic prosperity because *zakah* is paid from those who have a surplus to the poor. This will increase the purchasing power of the poor, which can encourage higher demand for goods. Therefore, *zakah* provides benefits from two perspectives: (1) for those paying *zakah* (*muzakki*), the purity of their souls and wealth is maintained, and (2) for those receiving *zakah* (*mustahik*), who are the underprivileged whose welfare is ensured by those who have been given surplus wealth by Allah. Muhammad Arifin (2020) explains in his journal that *zakah* distribution is a variety of wealth redistribution instruments and is a prophetic strategy for overcoming the economic crisis. This is because the economic limitations that affect some members of society become the responsibility of all members of society.

To ensure these benefits are realized, Islamic law establishes technical regulations regarding *zakah*. These regulations include provisions for the *nisab* (meaning minimum threshold), such as 85 grams for gold, 595 grams for silver, 5 for camels, 30 for cattle, and 40 for goats and sheep. The obligatory requirement for *zakah* is the *haul*, which means that assets remain above the *nisab* for one Hijri year. The zakat rate for gold and silver is 2.5%, while the zakat rate for livestock ranges from 1% to 2.5%, and the *zakah* rate for merchandise is set at 2.5%. Modern assets such as property, merchandise, stocks, cash and metals, investments, and bonds are also subject to *zakah* at 2.5%. This provision demonstrates that *zakah* has clear, measurable dimensions and can be implemented across various forms of modern wealth.

However, technical regulations alone do not guarantee successful *zakah* management. Its effectiveness depends heavily on the existence of professional and trusted *zakah* institutions. The level of public trust is a key factor because *zakah* institutions rely on the consistency of *zakah* payers in fulfilling their obligations and the effectiveness of distributing funds to *mustahik*. In other words, the sustainability of *zakah* institutions is determined not only by sharia regulations but also by the quality of their governance and accountability.

### 2.2 Definition of Tax

Taxation can be defined as a mandatory payment to the government based on ownership of the tax base (Mikesell, 2003). Tax collection by the government is intended for the common good. However, in practice, this benefit is not felt, but rather the opposite. A complex tax system and inconsistent regulations have led to numerous cases of tax fraud, such as bribery, tax avoidance, tax evasion, and elite scandals. Taxation is a significant political and economic issue (Connolly & Munro, 1999). For a long time, governments-imposed taxes solely to raise revenue to cover administrative and defense costs, the provision of certain state services, and, in the case of despotic monarchs, the ruler's personal expenses (Hanson, 1972).

In reality, a similar situation is also seen in Indonesia. Although taxes are theoretically based on the principle of equality, their practice often creates injustice and imposes a heavy burden on society. The three prevailing tax principles—proportional, progressive, and regressive—are considered normatively fair, but in practice they often cause problems. Proportional taxes on Value Added Tax (VAT), for example, burden all levels of society regardless of income level; progressive taxes on Income Tax (PPh) tend to encourage tax evasion among high-income groups; while regressive taxes on Stamp Duty continue to burden low-income groups. Thus, the idealized principle of justice often contradicts reality.

Based on the previous discussion, it can be concluded that the effectiveness of taxes compared to *zakah* is very different. Clear and standardized guidelines, combined with practices aligned with the Quran and Hadith, minimize fraud in the *zakah* system.

### 2.3 Comparison of Professional Zakah with Agricultural Zakah: Between Authentic and Invalid

From an Islamic perspective, one source of state revenue is the collection and distribution of *zakah*. For Muslims, *zakah* is not merely a levy from the government, but rather an act of worship after primary needs have been met. However, when it comes to professional *zakah*, scholars differ on its legal basis.

Some scholars, such as Yusuf Qaradawi (1969), in his work *Fiqh Az Zakah*, introduced a new type of *zakah*: professional *zakah*, which is levied at 2.5% of income each time it reaches the *nisab* (minimum threshold) for *zakah* on wealth. Al-Qaradawi's core idea is that *zakah* is obligatory upon receipt if it reaches the *nisab* after deducting debts. Professional *zakah* can be paid daily, weekly, or monthly. This thinking was influenced by other scholars, such as Abdul Wahhab Khalaf and Abu Zahrah (Ahmad Fuad Md & Norhayati Mohd, 2016). He likened professional zakat to agricultural *zakah*.

On the other hand, there is a more cautious view. Professional *zakah* may be paid directly at 2.5% of each salary received, provided it reaches the *nisab* threshold. However, it is still necessary to calculate the total amount of assets, if any, if *zakah* has not been paid. If it is less, then additional funds must be added to the total amount. If it is more, then additional rewards will be earned. This calculation is carried out to determine whether the *zakah* obligation has been fulfilled after the *zakah* month. This view emphasizes the importance of distinguishing between the causes and conditions of *zakah*, as emphasized in *fiqh* literature such as *Muyassar* and *Mulakhkhas*.

Problems arise when comparing professional *zakah* with agricultural *zakah*. Some people fail to distinguish between the causes and conditions of *zakah*, such as paying *zakah* before the *zakah* month. Some *fiqh* literature, such as *Muyassar* and *Mulakkhas*, states that the *nisab* and the *zakah* month are the obligatory conditions for *zakah*. In fact, the *nisab* is a cause, not a condition, and the *haul* is a mandatory requirement. There is a rule that if a deed is performed after the cause has been established, even if the condition is not yet present, it is valid. If *zakah* is paid before the *haul*, the *zakah* is still valid. From the perspective of *zakah* obligation, it may be that after the *haul*, the person is deemed not yet obligated to pay *zakah*.

The error in the fatwa is comparing professional *zakah* to agricultural *zakah*, which is considered invalid. Therefore, this should not be included in the chapter on professional *zakah*, but rather in the chapter on *ta'jiluz zakah*. This debate demonstrates that the issue of professional *zakah* is not merely a contemporary issue but has been discussed for a long time, including in the works of Imam Ash-Shafi'i. This type of *qiyas* is strange because it lacks consistency.

## 3. RESEARCH METHODOLOGY

This research employs a literature review, collecting, evaluating, and synthesizing information from various sources relevant to the research topic. The data used in this study are secondary data drawn from research findings in the form of reports, articles, magazines, journals published by institutions, and so on. The internet is also a source of electronic media. The current data is linked to theories, previous research findings, and methodological approaches used in the context of comparing the *zakah* management system in Indonesia with those in Malaysia and Saudi Arabia. This approach allows the author to develop a robust conceptual framework based on a thorough understanding of the existing literature and to identify knowledge gaps that can be filled through this research.

## 4. RESULTS AND DISCUSSION

### 4.1 Views on Professional Zakah

Nugraha (2021) concluded in his dissertation that there are similarities in *fatwas* between Indonesian and Saudi Arabian scholars regarding the obligatory *zakah* on professional *zakah*. Both view the justification for professional *zakah* as productivity and profit, namely the addition of exchange (money for benefits or services). However, when compared to Malaysia, the *fatwa* issued by the National Council for Islamic Religious Affairs (MUI) Fatwa Committee differs from the *fatwa* issued by the MUI Fatwa Committee.

The 2003 MUI fatwa states that *zakah* is obligatory on all forms of *halal* income provided it reaches the *nisab* (minimum threshold) within one year, which is the value of 85 grams of gold. Zakah on income can be paid upon receipt if it reaches the *nisab*. If it does not reach the *nisab*, all income is accumulated over a year; *zakah* is then paid when the net income reaches the *nisab*. This provision essentially recognizes the existence of professional *zakah* but still emphasizes the requirements of the *nisab* and *haul*.

In contrast, the provisions issued by the National Zakah Agency (BAZNAS) demonstrate inconsistencies in the fatwa. First, professional *zakah* is *zakah* imposed on earnings or income earned by an individual as compensation for work performed individually or collectively. Second, there are three approaches to determining the *nisab* and the amount of professional/income *zakah*: (1) analogizing it to *zakah* on gold and silver and trade, (2) analogizing it to *zakah* on agriculture, and (3) analogizing it to two things simultaneously (*qiyas sabah*), namely the *nisab* for agricultural *zakah* and the amount for *zakah* on gold and silver. These differences give the impression of a lack of consistency in *fatwa* practice.

Meanwhile, Muzakarah Jawatankuasa Fatwa Majlis Kebangsaan Malaysia on 22 June 1997 determined the obligation of professional *zakah* on the basis that income is included in *mal Al Mustafad* and is for the benefit of the people. Even though it is not stated explicitly in the Quran or Sunnah, the meaning of *zakah* is expanded through interpretation, so that professional *zakah* is required with the condition of full ownership; *nisab*, and *haul*. In fact, this *fatwa* also allows *zakah* obligations before the *haul*, with the *nisab* calculation following the *zakah* on gold.

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As for Saudi Arabia, Lajnah Daimah believes that professional *zakah* is considered *zakah* on paper money which is calculated based on the value of gold and silver. The *fatwa* issued by Lajnah Daimah is as follows,

*"It is no longer a secret that cash is a type of item for which zakah is obligatory, and one of the conditions for which zakah is obligatory is that it completes one year. Thus, zakah is obligatory on what is available from an employee's salary and reaches the nisab by itself or by adding it to the cash he has and has completed one year. It is not permissible to compare it with what is produced from land, because the one year requirement for cash zakah is stipulated by the text and there is no analogy with the text. Based on this, zakah is not obligatory on what is available from employee salaries for up to one year."*

Shaikh bin Baz in his fatwa said that *zakah* on salaries in the form of money needs to be detailed. If he has received his salary, after one year has passed and has reached a *nisab*, then he must pay *zakah*. However, if his salary is less than *nisab*, or one year has not passed, and he even spent it beforehand, then he does not have to pay *zakah*. A similar opinion was also emphasized by Shaikh Muhammad bin Salih Al-'Uthaimin, one of the *ulama* in the Kingdom of Saudi Arabia.

*"Regarding zakah on monthly salary earned from profession. If the monthly salary received by a person each month is spent to fulfill his needs so that there is nothing left until the following month, then there is no zakah. Because one of the mandatory conditions for zakah on an asset (money) is the completion of the haul that must be passed by the nisab of the asset (money)."*

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Thus, a summary of the differences between the *fatwa* of the Muzakarah Jawatankuasa *Fatwa* of the Majlis Kebangsaan for Islamic Religious Affairs in Malaysia, MUI, BAZNAS and Lajnah Daimah of Saudi Arabia can be seen in table 1.

Table 1. Differences in Fatwas regarding professional *zakah* in Indonesia, Malaysia, and Saudi Arabia

| No. | Legal Fatwa Committee | Hukm | 'Illah | Haul | Nisab | Amount |
|---|---|---|---|---|---|---|
| *1.* | Badan Amil Zakat Nasional (BAZNAS) | *Wajib* | Trade, gold, silver, and agriculture (equivalent to the four designated crops and fruits) | Issued upon receipt of salary if sufficient *nisab* is reached | 5 *wasq* without skin (equivalent to 653 grams) | 2.5% |
| *2.* | *Fatwa* Committee of the Indonesian Ulema Council (MUI) | *Wajib* | Growth (equivalent to *zakatul mal*) | Obligatory for 1 *haul* (may be expedited if sufficient *nisab* is reached) | 5 *wasq* without skin (equivalent to 653 grams) | 2.5% |
| *3.* | Lajnah Daimah (Saudi Arabian Fatwa Institution) | *Wajib* (not obligatory for others) | Growth, profit, and exchange (income from traded goods) | Obligatory for 1 *haul* (may be expedited if sufficient *nisab* is reached) | 20 *mithqal* (equivalent to 85 grams of gold) | 2.5% |
| *4.* | Muzakarah Jawatankuasa Fatwa Majlis Kebangsaan for Malaysian Islamic Religious Affairs | *Wajib* | Commerce | No *haul* obligation (must pay zakah when *nisab* is reached) | 20 *mithqal* (equivalent to 85 grams of gold) | 2.5% |

Source: Nugraha, I. S. (2021), Fachruddin, A. (2024).

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### 4.2 Zakah and Taxes in National Fiscal Policy

*Zakah* and taxes in national fiscal policy are regulated differently in each country. While in Indonesia, professional *zakah* is used as a tax deduction for taxable gross income, Malaysia considers income *zakah* as a tax rebate for individual *zakah* payers. In other words, if a citizen chooses to pay *zakah*, the *zakah* paid will be reduced by the taxpayer's taxable income (Hasibuan, 2020). In Saudi Arabia, the government only applies professional *zakah*, without any income tax, thus simplifying the fiscal system (Halim et al., 2025).

Malaysian policy positions *zakah* as a fiscal instrument integrated with taxes. The relationship between *zakah* and taxes in Malaysia can be seen from domestic regulations that stipulate that *zakah* can reduce tax liabilities. The Malaysian government has established a policy of providing discounts to individual *zakah* payers. These discounts are provided through scheduled tax discounts or a monthly discount system. They will enjoy a tax deduction equivalent to their *zakah* payments, which can be used to reduce their taxes by up to 100%. The purpose of this measure is to avoid double taxation on income subject to *zakah* (Suprayitno et al., 2013).

Meanwhile, in Indonesia, *zakah* is included in the Annual Tax Return (SPT). This is regulated in Article 9 paragraph (1) letter g of Law Number 7 of 1983 concerning Income Tax (PPh Law), as amended several times, most recently by Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law), which states that *zakah* payments can be deducted from gross income (Faradina, 2025).

However, this mechanism is not arbitrary, as *zakah* used as a tax deduction must meet two basic requirements: (1) It must be paid by an eligible individual or corporate taxpayer, and (2) it must be distributed through a religious institution established or authorized by the government (such as BAZNAS or an official LAZ). These two requirements must be met and cannot be mutually exclusive. This means that *zakah* does not directly reduce the amount of tax paid, but rather reduces gross taxable income, thereby reducing the amount of Income Tax (PPh) payable. Proof of *zakah* payment must be retained and attached as supporting evidence to the tax return (SPT).

In practice, regulations related to *zakah* in Indonesia have undergone changes. Law No. 38 of 1999 and Law No. 17 of 2000 were initially deemed ineffective in encouraging compliance with *zakah* obligations, leading to the enactment of Law No. 23 of 2011, which further emphasized *zakah's* position as a deductible cost. According to Didin Hafiduddin, the debate over *zakah's* position is the most crucial issue in the amendments to these laws, as it concerns the integration of *zakah* into the country's fiscal policy.

From this, two major streams of debate have emerged: (1) Tax deductibility (from a state financial perspective), which has been empirically proven in Malaysia, where *zakah* and tax revenues actually increased following the implementation of the *zakah* policy as a tax credit. There is no trade-off between tax revenue and *zakah*. (2) Tax credit (from an economic distribution perspective) is believed to be an effective tool for economic redistribution (economic growth with equity), ensuring the flow of wealth from the rich to the poor.

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Thus, we can see the different approaches between Indonesia, Malaysia, and Saudi Arabia in integrating *zakah* into the national fiscal system. A summary of policy strategies regarding *zakah* and taxes is summarized in Table 2 below.

Table 2. Differences in Fiscal Policy in Indonesia, Malaysia, and Saudi Arabia

| No. | Aspect | Indonesia | Malaysia | Saudi Arabia |
|---|---|---|---|---|
| - | Recognition of tax | Zakah as a tax deduction (reduction of taxable income) | Zakah as a tax credit (direct reduction of tax payable) | Not applicable because income tax is not applied |

Source: The author's own work.

## 4.3 Zakah Collection and Distribution Institutions

### *4.3.1 Indonesia*

Regarding the collection of professional *zakah*, the system in Indonesia is more like Malaysia, as it is administered by both the state and the private sector. This differs from Saudi Arabia, where professional *zakah* is collected simultaneously with taxes by the Ministry of Finance, thus directly integrating *zakah* and taxes into the fiscal system.

In Indonesia, *zakah* management is carried out through three official organizations: (1) the Zakah Collection Agency (BAZ), (2) the Zakah Collection Institution (LAZ), and (3) the Zakah Collection Unit (UPZ). The only *zakah* institution established by the Indonesian government is BAZNAS (National Zakah Collection Agency). UPZ is an organizational unit established by BAZNAS, the Provincial BAZNAS, or the Regency/City BAZNAS as an extension of *zakah* collection. There are 23 ministries, 29 State-Owned Enterprises (BUMN), 26 state agencies, and 58 private entities registered as BAZNAS UPZs.

In its distribution, BAZNAS distributes *zakah* through two main models: (1) Optimal utilization of *zakah* (without reducing its value and utility) in the form of productive businesses, so that it is effective in achieving public welfare, and (2) distribution to *mustahik* in the form of consumption. Based on the BAZNAS report (2023), *zakah* distribution shows the largest contribution to the humanitarian sector in the form of consumption assistance to maintain survival, followed by *da'wah*-advocacy, education, economics, and health, with the poor as the largest recipient group. The number of *mustahik* who have been assisted by Zakah Management is 123,177,742 people.

Table 3. Collection and Distribution of *Zakah* Funds by BAZNAS 2020-2024

| Year | Collection (Rp) | % | Distribution (Rp) | % |
|---|---|---|---|---|
| 2020 | 2,763,751,985,660 | | 3,276,874,579,088 | |
| 2021 | 3,101,811,737,515 | 12.23% | 3,641,729,924,025 | 11.13% |
| 2022 | 3,822,926,923,495 | 17% | 3,269,157,880,612 | 15.08% |
| 2023 | 3,663,705,686,380 | -4.16% | 3,720,909,638,455 | 11.93% |
| 2024 | 4,350,099,606,318 | 18.80% | 4,401,606,154,618 | 16.23% |

Source: The author's own work.

Based on reports received from BAZNAS (2023), of the 490 district/city BAZNAS reports received, 431 district/city BAZNAS received official permits, 34 district/city BAZNAS were still in the form of BAZNAS Provincial UPZs, and 6 district/city BAZNAS in DKI Jakarta Province whose management is integrated with BAZNAS (BAZIS) DKI Jakarta Province. Of the 490 district/city BAZNAS that submitted reports, 73 BAZNAS still managed *Zakah*, *Infaq*, and DSKL (Distribution of Zakah), which are not yet optimal.

The *zakah* mechanism through UPZs begins with the preparation of an Annual Work Plan and Budget (RKAT) by the UPZ. All collected *zakah* funds must be deposited 100% to BAZNAS, the central *zakah* management institution. Following the deposit process, BAZNAS returns the funds to the UPZ within a maximum of five working days to support the distribution of *zakah* funds. The distribution mechanism is set at a proportion of 30% managed directly by BAZNAS for national-scale programs, while 70% is returned to UPZ to support work programs that have been determined by UPZ or based on program proposals in the form of proposals.

### *4.3.2 Malaysia*

In Malaysia, *zakah* management is carried out in a decentralized manner under the authority of the State Islamic Religious Council (MAIN). Several official institutions established by the government, for example, are the Center for Zakah Collection (PPZ) which is affiliated with the Islamic Religious Council of the Federal Region (MAIWP) in Kuala Lumpur and the Selangor Zakah Center (PZS) as a wholly owned subsidiary of the Selangor Islamic Religious Council (MAIS). Apart from PPZ and PZH, there are five private *zakah* institutions in Malaysia, namely: (1) Selangor Zakah Institution (LZS), (2) Zakah Management Center (PUZ) in Pulau Pinang, (3) Zakah Quotation Center (PKZ) in Pahang, (4) Negeri Sembilan Zakah Center (PZNS), and (5) Melaka Zakah Center (PZM).

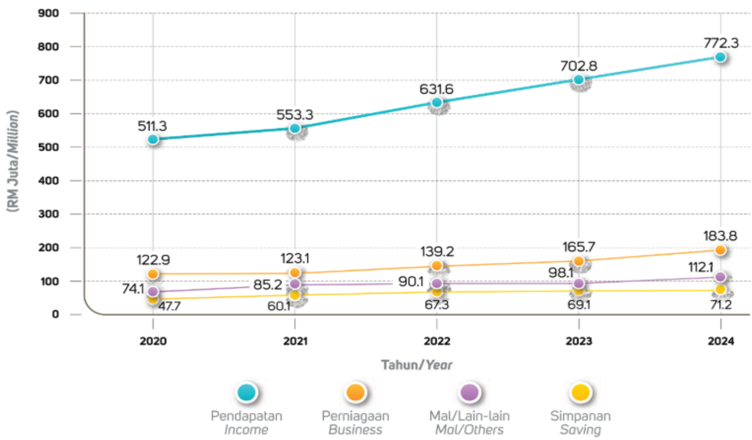
Based on the PPZ-MAIWP report, the majority of *zakah* collected comes from income *zakah* (68%), followed by business *zakah* at 16% and *zakatul fitr*, *zakatul mal*, savings zakat, gold and silver *zakah*, stock *zakah* and other *zakah* at 16%. The monthly *zakah* salary deduction channel (Skim PZB) is the main choice of payers which has contributed more than 51% of the total with an amount of RM575 million or around IDR 2,254,905.

Table 4. Collection and Distribution of *Zakah* Funds by PPZ-MAIWP 2020 – 2024

| Year | Collection (RM) | % | Distribution (RM) | % |
|---|---|---|---|---|
| 2020 | 2,763,751,985,660 | | 3,276,874,579,088 | |
| 2021 | 3,101,811,737,515 | 12.23% | 3,641,729,924,025 | 11.13% |
| 2022 | 3,822,926,923,495 | 17% | 3,269,157,880,612 | 15.08% |
| 2023 | 1,835,902 | -4.16% | 3,720,909,638,455 | 11.93% |
| 2024 | 1,864,718 | | | |

Source: The author's own work.

Figure 2. Zakat Collection Achievements Based on PPZ-MAIWP




Type 2020-2024
Source: PPZ-MAIWP

The *zakah* distribution system in Malaysia uses a *wakalah* contract approach, a representative mechanism. Nurfajriyah & Zen (2024) conclude that *zakah* management system in Malaysia is decentralized, with *Baitul Mal* (Islamic Trust) in each state responsible for *zakah* collection and distribution. In this case, the *zakah* institution (*Al Muwakkil*) authorizes an agent or representative (*Al Wakil*) to distribute zakat to recipients (*Al Muwakkal fih*). At the representative level, this study demonstrates the need to monitor the skills of representatives. This is crucial for the *wakalah* mechanism to positively impact *Al Muwakkal fih*, namely *zakah* distribution.

Among the companies acting as representatives for MAIWP is Perusahaan Pelaburan Hartanah Berhad (PHB). PHB implements *wakalah* for *zakah* paid by Amanah Hartanah Bumiputera (AHB). After the AHB pays *zakah* to PPZ-MAIWP, the PHB will submit a request to PPZ-MAIWP to carry out the next *wakalah* to get a return of part of the *zakah* paid by AHB. Furthermore, PHB will distribute the *zakah* as a representative of MAIWP.

This *wakalah* practice shows that AHB investment funds are actually paid *zakah*, thereby providing guarantees for *zakah* management while attracting more investors. In addition, distribution of *zakah* through representatives has proven to have wider benefits than direct distribution. If *zakah* is only paid to MAIWP, then the recipients are limited to *asnaf* in the Federal Territory only. However, through *wakalah*, *zakah* funds can be distributed throughout the country so that they reach more recipients.

In this way, AHB unit holders spread across various regions can see that *zakah* from their investments is felt equally by *asnaf* throughout Malaysia. This pattern not only avoids the misunderstanding that AHB *zakah* is only enjoyed in the Federal Territory but also becomes an added value for AHB in increasing public trust and attracting more investors due to a fairer and more inclusive distribution of *zakah*. through *wakalah*, *zakah* funds can be distributed throughout the country so that they reach more recipients.

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### *4.3.3 Saudi Arabia*

In Saudi Arabia, the collection and distribution of *zakah* and taxes are regulated by a single government agency, the Zakah, Tax, and Customs Authority (ZATCA). Unlike Indonesia and Malaysia, which involve private and semi-private institutions, Saudi Arabia does not allow for independent *zakah* institutions. The entire *zakah* collection and distribution process is recorded and directly supervised by the government.

Individual *zakah* payments are usually made through the company where a person works, along with tax reporting. Nurfajriyah & Zen (2024) conclude that the *zakah* management system in Saudi Arabia is centralized, with the Saudi Arabian

National Zakah Agency responsible for *zakah* collection and distribution nationwide.

Thus, differences in management patterns can be seen between Indonesia, Malaysia, and Saudi Arabia: Indonesia adopts a mixed system with BAZNAS as the regulator and UPZ/LAZ as the implementers; Malaysia implements a decentralized, state-based model under MAIN, while Saudi Arabia emphasizes full centralization through ZATCA. A brief comparison of these three models can be seen in Table 5 below.

Table 5. *Zakah* Collection in Indonesia, Malaysia, and Saudi Arabia

| No. | Aspect | Indonesia | Malaysia | Saudi Arabia |
|---|---|---|---|---|
| *1.* | Collection Management System | Centralized through BAZNAS and LAZNAS | Decentralized by MAIN in each state and by MAIWP in each federal territory | Managed by the General Authority for Zakah and Tax (ZATCA) |
| *2.* | Management System | Centralized and Decentralized Management System (BAZ and other LAZs) | Decentralized (private entities through representatives in each state) | Centralized |

Source: The author's own work.

## 5. CONCLUSION

Zakah management essentially aims to alleviate poverty, increase transparency, and ensure efficiency in distributing funds to *mustahik* (*zakah* recipients). Furthermore, *zakah* also has a fiscal dimension, as it can be used as a tax reduction instrument or as a full tax refund.

This study explains that *zakah* provides two-fold benefits. For *muzakki* (*zakah* payers), *zakah* serves to maintain the purity of their souls and wealth. Meanwhile, for *mustahik*, *zakah* guarantees prosperity because they receive a share of the surplus wealth bestowed by Allah on the more fortunate. In terms of effectiveness, *zakah* is considered superior to taxes, as its provisions are determined directly by Allah, the Almighty, who best knows the welfare of His servants.

However, when discussing professional *zakah*, debate has arisen among scholars. Some have compared professional *zakah* to agricultural *zakah*, but this analogy is considered inappropriate (*batil*) due to its inconsistency. According to classical Islamic jurisprudence, this issue is more appropriately included in the chapter on *ta'jiluz zakah*, as discussed by Imam Ash-Shafi'i and previous scholars.

The research concludes that *fatwas* in Indonesia and Saudi Arabia demonstrate a similarity in viewing professional *zakah* as an obligation based on productivity and profit. Meanwhile, institutionally, Indonesia is more like Malaysia because *zakah* management is carried out by the state and the private sector, while Saudi Arabia integrates professional *zakah* with taxes collected directly by the Ministry of Finance. Malaysia, on the other hand, considers income *zakah* as a tax rebate, while Indonesia still applies it as a tax deduction.

Malaysia's *zakah* system is considered more effective because it is mandatory and reduces the tax burden, supported by high public awareness and professional management by official institutions. Conversely, Indonesia still faces challenges such as low public awareness, *zakah* realization far below potential, and a system that tends to be voluntary without strong legal sanctions. Despite improvements in management by BAZNAS and other *zakah* collection institutions, the effectiveness of *zakah* collection remains limited due to low literacy, a lack of transparency, and limited digitalization.

Differences in *zakah* policy strategies further fuel the debate over *zakah's* position within the fiscal system. The first group believes that making *zakah* a tax deductible is the right choice because it aligns with the existing tax system. Conversely, the second group believes that *zakah* should be positioned as a tax credit to encourage a more equitable redistribution of wealth and strengthen *zakah* integration into the national economy.

This research approach is both empirical and theoretical, but with several limitations. Therefore, further research is needed with more specific themes, particularly regarding the professional *zakah* management system for poverty alleviation in Indonesia. A more in-depth study will strengthen the theoretical and practical foundations, while also helping to formulate *zakah* policies that are precise, clear, and consistent with Islamic sharia principles.

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