

Taxation policy and regulation efficiency on increasing zakat collection: countries comparison analysis

Fauzul Hanif Noor Athief,¹ Mohammad Aulia Rachman,²
Darlin Rizki³, Lukmanul Hakim,⁴ Mohd Shahid Bin Mohd Noh⁵

^{1,4}Universitas Muhammadiyah Surakarta, Indonesia

²Universitas Diponegoro Semarang, Indonesia

³Universitas Gadjah Mada Yogyakarta, Indonesia

⁵Universiti Malaya, Malaysia

email: fauzul.hanif@ums.ac.id

Abstract

Purpose - This study investigated the policies over countries, specifically concerning the taxation in its regard with the zakat collection. The aim is to see whether making zakat compulsory helps solving zakat collection problem or not.

Method - The study used a descriptive analysis model with a qualitative approach. The range of data collected in 2006-2017 came from nine countries, namely Saudi Arabia, Kuwait, Sudan, Jordan, Brunei Darussalam, Malaysia, Indonesia, Singapore, Pakistan.

Result - The results of this study indicate that Sudan, Brunei Darussalam, Singapore and Pakistan follow a mandatory approach while Malaysia, Kuwait, Indonesia, Jordan and Saudi Arabia follow a voluntary approach. It was also found that a mandatory approach attracted more zakat collection as indicated by the zakat collection ratio.

Implication - Pointing out that mandating zakat by imposing it through regulations helps collect more zakat payments.

Originality - This research specifically contributes to studying the tax system in various countries to stimulate the collection of zakat by using a comparative study.

Keywords: zakat; tax; exemption; regulation; policy



Introduction

Tax is one of main income sources of a country along with its two special functions. First, it is the budgeting function which acts as the financing source for all government's policies and second is the fiscal tool to manage the economic condition in a country (Mardiasmo, 2013). Fund generated from tax collection can help in the attempt of human empowerment, poverty alleviation, provision of education facilities, healthcare, and in the improvement quality of human life. Therefore, it accelerates the income distribution, as well as the economic growth (Cobham, 2005).

Mannan (1986) describes zakat as part of the specific wealth distributed to the designated recipients and beneficiaries. Zakat which stands as one of the five main pillars of Islam takes part in economic and social development. Kahf (1989) gives his opinion on the advantage of zakat that it has the ability to correct consumption behavior, production pattern as well as distribution function in Islamic society. In addition, zakat is also a measure of social self-reliance where a poor and needy people can get social safety net from those wealthy indirectly. In the modern time, zakat has evolved from passive to productive so that it brings a lot more benefit (Yayuli et al., 2021; Hakim et al., 2021).

A recent research capturing the phenomena of zakat collection was done by Muhammad (2019) who recorded the details of zakat management in high income countries. This includes the governing bodies, transparency, as well as issues in selected countries with the main result stating that all observed countries have implemented centralized zakat system where Saudi Arabia recognized zakat as tax at the same time.

From the Islamic economic point of view, zakat has the similar function as tax which plays the role of fiscal instrument (Ammani et al., 2014; Faridi, 1983; Metwally, 1983). While the importance of tax in a government system is highly promoted and supported, the awareness on paying zakat must also be encouraged. These two components need proper management system or otherwise would only cause a contra-productive progress towards national

development. One of many types of management system that could hinder the progress of such fiscal tool is double taxation which is comprised of national tax and the zakat obligation (Damanhur, 2006). While there is opinion on how this double taxation system is not appropriate for a country, Diana (2011) argues that Islamic civilization acknowledges those tax and zakat as the main factor in ensuring people well-being and nation welfare.

The double taxation practice is caused by the different character and nature of both national tax and zakat. The legal background as the basic notion of tax and zakat is noticeable. The mandatory character of zakat is clearly stipulated in the Islamic teaching so that the offender would get severe punishment since zakat is one of five main pillars in Islam. On the other hand, the obligation of national tax stems from the regulation and rule imposed by government. Even though modern Islamic scholars approve this practice, the act of not paying tax will not be classified as an action against the core teaching of Islam since its obligatory character is bounded by the submission towards government.

The different background of tax and zakat leads into different policy on how each country should treat both fiscal instruments simultaneously (Ismail, 2018; Pryor, 2007). For example, Malaysia and Indonesia does not oblige the citizens to pay zakat by imposing punishment for those who deny the law (Wijayanti et al., 2022). Meanwhile, Brunei Darussalam clearly incorporated zakat in its tax policy. Despite the different policies, every country has the same goal which is to optimize both zakat and tax. Prioritizing zakat while neglecting national tax is insufficient to support national expenditure in this era even though it encourages and stimulates Muslims to pay more attention on zakat by the force of national law. Meanwhile, creating enforcement only to national tax will create the double taxation which eventually leads to discouragement for paying zakat. Since the focus of any policy is to optimize the zakat, the concern of every country is aligned. Thus, the discussion should focus on which policy creates better effectiveness in achieving the goal of optimizing zakat collection.

Based on the background mentioned above, the issue regarding analysis on policy implication on zakat collection should be further discussed. This paper particularly investigates the problem mentioned above by firstly analyzing regulation on tax and zakat from selected Muslim countries continued by giving the comparison of policy effectiveness through descriptive analysis based on data collected. The comparison is be carried out through the ratio between zakat collected and GDP adjusted by other factors. The next section of this paper shows that the discussion on the relation between zakat and tax has been established long time ago but none of it focuses on the policy effectiveness. The methodology on how the investigation was conducted is elaborated more afterward. Following the methodology section, the results of this paper are presented. At last, the conclusion and suggestion are provided.

Literature Review

In general, zakat has two categories. The first is zakat al-amwal where there are several types of wealth that must be paid, each of which has different term in conditions of the minimum amount chargeable, duration threshold, and many others. The second is zakat al-fithri, that is an obligation for every capable Muslim to pay 2,5 kilograms of staple food or its money-equivalent. This research focuses specifically on zakat al-amwal which its obligatory characteristic stems from the very sources of Islam that are Quran and Hadith, which were then elaborated by numerous other fields of studies (Athief, 2019).

The concern on zakat in its conjunction with the tax as the fiscal instrument in the modern state has been discussed long time ago. One of the articles which had been written in this regard can be traced back to the writing done by Faridi (1983) who proposed that zakat and tax are two instruments that must be present in a Muslim country. In the same year, Metwally (1983) supported the nation that zakat is a form of tax, yet he emphasized that its purpose is specific and tacitly expressed in the Islamic teaching. An attempt to complete the concept of embedding zakat within

fiscal structure also has been made by Rahman (2007). Unfortunately, he took only partial discussion on such attempt since the focus was only on zakat of business wealth.

All the researches mentioned above and many other researches mostly concern on the effectiveness of zakat in boosting economic condition along with its importance to make zakat stands side by side with the taxation system. However, the discussion on how taxation rule can contribute to zakat payment which is part of zakat collection topic is rarely addressed.

According to Tanjung and Hakim (2017), research in the topic of zakat collection reached 31 publications out of 152 articles observed from 2008 until 2017. However, most of them do not concern about the relation between zakat collection and taxation system. Instead, they talk about theoretical concept on zakat collection, transcendental value of paying zakat and including determinants of zakat payment. However, literatures on determinants of zakat payment do not focus on the tax as one of the determinants. For example, Bidin et al. (2009) and Dandago et al. (2016) talk about the reactional behavior of zakat payee. Apart from it, some researches were done to observe income, academic level, commitment to islamic rules, macroeconomic condition and many others as the factor of zakat payment (see Dwitama and Widiastuti, 2016; Merlinda et al., 2016; Sobana et al., 2016).

It is also important to note that some studies took tax as the research objective. However, none of them is found to talk about the relation between tax and zakat. For example, Azharsyah (2011) and Nasruddin and Romli (2011) only emphasize what the previous studies have suggested, including zakat in the mainstream economy. The only main difference is that both of them elaborate the study to include Indonesia as the main concern. In addition to that, the latter of these studies added numerous Quranic verses to support the notion of balancing between zakat and taxation system. They hope that when zakat and taxation are equally applied and legally obliged, these could improve the economy of a Muslim country a far way better. The same idea was suggested by Aliyu et al. (2016) who explicitly oppose the taxation charged by the government. They opine that a better Nigeria can be

achieved if the country follows the Islamic taxation system by referring to what has been done by Indonesia, Malaysia, and Pakistan. Unfortunately, they missed the point that the three countries have different taxation policies which we want to investigate further in this research to know which policy brings better advantage.

In term of comparison on the taxation policy, there are some other researchers who conduct it in a better way. Hasanah (2014) is one of those people who tried to investigate the system applied at Saudi Arabia, Sudan and Indonesia. Still in the same year, Afriyandi (2014) also conducted a research on the policy differences between Saudi Arabia, Malaysia, Kuwait, and United Arab Emirate. A more extensive research was done by Obaidullah (2016) who investigated 8 different countries, namely Singapore, Indonesia, Qatar, Kuwait, Saudi Arabia, Pakistan, Sudan, and Malaysia. Nevertheless, the study took business zakat as its main focus in elaborating the law cited from the Enactment and Acts of each respective country.

There are also discussions on the relation between zakat and taxation system which take a deeper look on how a country runs the regulation such as the study conducted by Siswanto and Nurhayati (2016). They raised the popular issue in Indonesia regarding aligning zakat in mainstream economy by making it as tax deductible and concluding that the government, especially the tax officers are not well prepared since they acted unsupportively to the issue. In addition to the preparedness of a government, an investigation from the accounting perspective was also done by Muktiyanto and Hendrian (2011). The finding says that there is big misunderstanding within society on how zakat should be conducted in an environment where zakat has been aligned in the mainstream economy as tax deduction.

Recent studies conducted by Wijayanti et al., (2022) and Nugraha et al., (2021) studied about the difference of tax deduction in Malaysia and Indonesia, but did not compare to countries where zakat is obligatory. Islamy and Aninnas (2020) conducted a research by comparing Indonesia, Malaysia and Brunei Darussalam where it only explained the difference of tax

regulation between countries without looking at its efficiency in collecting zakat.

All the literatures mentioned above discussed the theory part, taxation policy comparison, until the detail discussion on how a system applied within a country did contribute in the field of relation between zakat and taxation system. Nonetheless, the effectiveness on the taxation policy remains untouched. The bibliometric research on zakat also shows that zakat tax relation is too small to be considered in the overall zakat researches (Supriani et al., 2022). While researchers like Khamis and Yahya (2015) asserts that law enforcement is one of the biggest factors influencing people in paying their zakat obligation, there is still possibility that different policy and taxation system could give different effects. Thus, this research tries to fill up the gap and bring evidence on whether taxation system could attract more zakat collection.

Research Methods

In order to obtain policy comparison between countries, there are several major steps that need to be taken. We decided to take nine countries as main interest into this study, which are Saudi Arabia, Kuwait, Sudan, Jordan, Brunei Darussalam, Malaysia, Indonesia, Singapore, and Pakistan. The selection is based on the geographical representative, data availability on the regulation as well as their zakat data in national level. As for the Saudi Arabia, Kuwait and Jordan are selected to represent Middle East countries while Brunei Darussalam, Malaysia, Indonesia, Singapore, and Pakistan are selected to represent countries other than Middle East.

Since the main focus is the policy and regulation, the second step is to explore the regulation of aforementioned countries. It was done through qualitative study by comparing regulation among countries. This method is useful to analyse the different background of laws concerning the same topic between countries (Marzuki, 2008). The data collected from exploring the regulation of each country were then documented as it is suggested in any typical qualitative study (Bungin, 2009). Then, the documented data were

classified to present a comparison of taxation policy between countries of interest.

After classifying the countries based on its policy, we searched the data of collected zakat amount from every country on the national level. Since data on national zakat collection are difficult to obtain, we limit the range of the year only between 2006-2017. We realize that there will be uneven data availability or even missing data in some particular years for a country. Hence, the data collected were analysed using descriptive analytical model within qualitative approach since the parametric or non-parametrical method of quantitative approach is not viable for this study. Apart from it, a descriptive analysis can be used to make an in-depth investigation for the topic that requires more background and social exploration.

We use a ratio to make an equal comparison between countries because a direct comparison between aggregate amount of zakat will be bias. The ratio was obtained from the percentage of zakat to GDP. However, unlike the tax ratio which takes GDP as it is, here we adjust GDP with the total Muslim population to avoid the incorporated contribution of non-Muslim into GDP. The investigation was done firstly between region followed by a general comparison through the average of zakat ratio between countries of available years.

This research employs several types of data. For the discussion pertaining the law of a country, primary and secondary data are used. Primary data comprise of acts and regulations while the secondary data comprise of comments regarding the law (Marzuki, 2008). Meanwhile, the data of GDP and zakat are taken from various sources including World Development Index, World Fact Book, National Statistic Beurau of every country, National Zakat Authority of every country and Islamic Social Finance Report.

Results and Discussion

The Regulation of Zakat and Tax among Countries

In our modern world, the treatment of zakat takes many different approaches which vary from one country to another. These variations appear not only on the collection side, but also from the distribution part (Abu Bakar et al., 2014). Even though to some extent the differences are driven from the fiqh point of view (Sadeq, 2002), the fact that notion of getting greater benefit from the zakat as main pillar of Islam cannot be denied. Specifically on the collection part, some countries which try to integrate zakat and tax in the fiscal system see that such model will motivate zakat payers to accomplish their obligation towards both religion and nation at the same time.

The model of zakat collection generally has two types: voluntary and mandatory. Voluntary does not mean neglecting the command from the Law Giver which is clearly stipulated in Quran and Sunnah about its position as pillar of Islam which identifies whether a person is eligible to be called Muslim or not. Instead, it is more about the position of law backed by the government which has the power of enforcement. Another perspective is that the government involves fully and directly with sole authority in collecting the zakat (as well as the distribution). Thus, voluntarily means the way government deals in the collection of zakat from the Muslim by giving them freedom, either to establish a private institution dealing with this matter, or even without requiring any of such mediators. Meanwhile, mandatory means that zakat obligation is imposed along with the tax.

Another way to see the model of zakat collection is by looking at the tax incentives approach introduced as the instrument to ensure bigger amount of zakat paid. The commonly used are the tax-related incentives which usually take two types: tax rebate and tax deductibility. The first type refers to a mechanism which allows same amount of zakat paid to be incorporated as rebate in payers' obliged amount of tax. The second has different characteristic where any amount of zakat paid is considered as cost or expenditure for a person which should be excluded from the taxable income.

Allowing the Z to be zakat amount, I for the taxable income and T for the required income tax rate, we follow Obaidullah (2016) in explaining the two types above:

1. The tax rebate type allows the tax payable reduced by the amount of Z which is equal to

$$I * T - Z$$

The after-tax income is now equal to

$$I - (I * T - Z)$$

2. The tax deductibility type allows taxable income to be reduced by the amount of Z. Thus, the taxable income is equal to

$$(I - Z) * T$$

Where the after-tax income can be written with this model

$$I - (I - Z) * T$$

To further see the details of zakat collection approach from respective countries, it is better to see the detail regulation of each country. Johari et al. (2014) while compiling the literatures on zakat with the year of observations ranging from 2003-2013 managed to find up to 108 articles. Unfortunately, there are only 23 articles out of total numbers which are categorized as articles focusing on the collection of zakat. This makes the job in reviewing each country's regulation more difficult which enforces us to recourse to the written act of each country. Thus, the review will be focused on mostly one area which is the relation between tax and zakat regulation.

Saudi Arabia

Saudi Arabia has a sub-ministerial body under the administration of Ministry of Finance in dealing with zakat and tax called General Authority of Zakat and Tax or GAZT (previously called Department of Zakat and Income Tax or DZIT). As it is obviously understood from its name, this body serves as the sole authority in collecting zakat and income. Zakat which is governed by GAZT shall refer to the Ministerial Resolution number 393 dated 6/8/1370 H (corresponding to 13/5/1950) where the 20 points of zakat are stipulated

there.¹ Interestingly, Allami (2015) finds no clause in dealing with the problem of non-compliant payers in this resolution. It is only stated on GAZT resolution no. 9/2973 dated 26/3/2009 that if a payer does not fulfil its zakat obligation, GAZT will not issue the Zakat Certificate. This zakat certificate is important since many public bodies will not give salary unless the employee holds the certificate. Person who does not hold this certificate also will not be entitled for governmental aid, or even worse, GAZT has power to suspend his or her bank accounts as well as some other matters.

Despite the importance by being a good zakat payer, Allami (2015) sees that a non-compliance payer is not regarded as a crime in Saudi Arabia. No punishment can be executed based on the non-compliance problem, nor any prosecution entails because of it. Punishment might be charged only if the person conducting fraud and misconduct which is, of course, under other law and regulation since it is not within the zakat boundary. Going back to the classification of zakat model, such policy should not be regarded as a mandatory model as Powell (2010) and Obaidullah (2016) perceived. Instead, it is a voluntary model where government gives big incentive; we prefer to call it “public punishment” for this case.

Kuwait

The achievement Kuwait gets in zakat management has been considerably regarded as the most successful one. Despite its success, Kuwait uses the voluntarily approach instead of compulsory for some particular fields. A legal body dealing with zakat which has direct responsibility towards Ministry of Awqaf is established under the law enacted on 16 January 19822 with the Kuwait Zakat House (KZH). The non-voluntarily field mentioned above is for the local non-government closed and listed shareholding companies which KZH obliges them to pay 1% as it is required by the Law no. 46 year 2006 regarding zakat. However, to give more incentives for people to

¹For further details, see <https://www.gazt.gov.sa>.

²For further details, see <http://www.zakathouse.org.kw>

collect zakat, KZH provides easiness in paying it by auto deduction from the account of the zakat payers (Ahmad et al., 2015). Apart from it, the Executive Regulation no. 2 year 2008 on the amendment of Kuwait Income Tax Law no. 3 year 1955 stipulates in Article no. 3 that any charitable donation to government charity organization has the character as company's or a person's expenditure. In other words, Kuwait treats zakat as tax deductible expense.

Sudan

By the enactment of The Zakat and Tax Law of the Sudan regulation on 1984, Sudan has been transformed to a country which integrates fully the obligation of zakat and tax. Starting from its implementation, every person would be charged by 2.5% for their individual income. While this 2.5% is charged for the purpose of zakat obligation for Muslims, non-Muslims are charged a solidarity tax to be paid to the government (Beik, 2014). This implementation of tax-zakat policy, according to Jaafar Numairi who was Sudan president during that time, has been successfully attracted foreign and local investment. It is also important to note that Warburg (1990), after mentioning Numairi's opinion on the law in his article, perceived that the disadvantage of this law outweighs its advantage. Other interesting fact of Sudan regulation on zakat is that the payable amount can be taken from Muslim's asset regardless the position of asset whether inside or outside the country. Hasanah (2014) opines that such policy will increase the amount of zakat collected.

Jordan

The law of zakat in Jordan had been existed since the establishment of the Kingdom in 1944. Even though this law made zakat obligatory for Muslims, it has some points which do not fully embrace the shariah requirements. This law was then replaced in 1953 by a social service tax law which imposes certain percentage of income to be paid as tax. In 1973, the zakat law was again introduced amidst the ongoing income tax law. This new zakat law acts

as the basis of the establishment of zakat directory under the Ministry of Awqaf. Thus, unlike the preceding first zakat law enacted, the latter has no enforcement power, implying that Jordan uses voluntary approach. Similar with what other countries have done, Jordan tries to give incentives for zakat payers by giving tax rebate through the amendments of the act. It is important to note that there are two phases from Jordan authority in making such concession. The first was one-fourth to the total amount to be rebated from taxable income while the second phase allows total amount to be rebated (See the detail at Kahf, 2000).

Brunei Darussalam

Laws of Brunei Darussalam chapter 77 year 1984 on MUIB govern specifically on religious council and judge courts matters. Starting from Article no. 114, it provides the detail of zakat law until Article no. 121. The enforcement power from the government is clear in section 115 since it explains the mechanism of appealing for a person whose name is listed under zakat payer whereas actually he is not. This act of law also gives the Majlis of Islamic Religious Council Department authority on behalf of the Sultan to collect and disburse the zakat along with the Imam or Amil. Brunei Darussalam also has the Baitul Maal whose name is changed to Department of Zakat Collection and Distribution. One of the functions of this department is doing the zakat collection which operates in all four districts of Brunei Darussalam (Bashir and Ali, 2012).

Malaysia

Malaysia has distinctive characteristic in governing the zakat system. The authority and administration are passed to each state in which the respective state will carry various responsibilities including collection, distribution, promotion, and much more details (Rahman et al., 2012). Obaidullah (2016) has provided a snapshot of the law and regulation regarding zakat from all 13 states and 1 federal territory. Interestingly, the enactment did not come universally in one time but each country introduced it in different years. On

the other hand, the incentives model that Malaysia implemented has been introduced since the early time as the Income Tax Act 1967 states “*a rebate shall be granted for a year of assessment for any zakat, fitrah or any other Islamic religious dues payment of which is obligatory and which are paid in the basis year for that year assessment...*” The law clearly shows that Malaysia tries to put an incentive instrument on the voluntary zakat approach type.

Indonesia

Indonesia law pertaining to zakat and tax regulation has been through several evolutions. One of the notorious changes on income tax law was the fourth amendment which clearly states that zakat and other religious charity donation channeled to national body for zakat will be excluded from the amount taxed. The Act no. 60 year 2010 on the Zakat and Religious Donation further strengthens and details the law by stipulating that the amount of zakat entitled the character of tax deductible expense. To facilitate the voluntary approach in the vast country, private institution which has been granted permission from Ministry of Religious Affairs may collect the zakat and distribute it accordingly. This policy is helpful to also support the aforementioned incentive. Eventually, the increase in zakat collection would bring back benefit of zakat to alleviate poverty which is currently not clearly evident (Mustika et al., 2019).

Singapore

The provision of zakat in their regulation is clear. The Muslim Law Act Chapter 3 Article 68 subpoint 3 states that it is compulsory for all Muslims in Singapore to pay zakat and fitrah in accordance with the provision of the act. This act also arranges about the collection and distribution of zakat which authority is passed solely for the Majlis named Majlis Ugama Islam Singapura (MUIS).

Pakistan

The system of zakat has been governed since Pakistan was established as Islamic Republic in 1956 as stated in Article 31 of Pakistan constitution. Nevertheless, it is only until June 1979, zakat was officially introduced through the presidential ordinance which its promulgation began in June 1980. The ushr regulation, however, came into enforcement three years after zakat ordinance promulgation. Even though the regulation has been through 12 amendments, it does not change the mandatory approach characteristic which has been implemented by Pakistan from the beginning (see the detail at Gilani, 2006). Zakat law in Pakistan does not bind several categories such as accounts in foreign currencies and others. Interestingly, the difference between schools of mazhab allows this country to exempt Ja'fariyah followers from the obligation of zakat from country's system (Kahf, 2000; Khan, 1993). Such exemption will not be counted as the factors which lead to a perception that Pakistan follows voluntary approach. However, the non-mandatory zakat collection is allowed and will be managed under the same government body which is Central Zakat Council.

Table 1. Type of Regulation Approach for Stimulating Zakat Collection

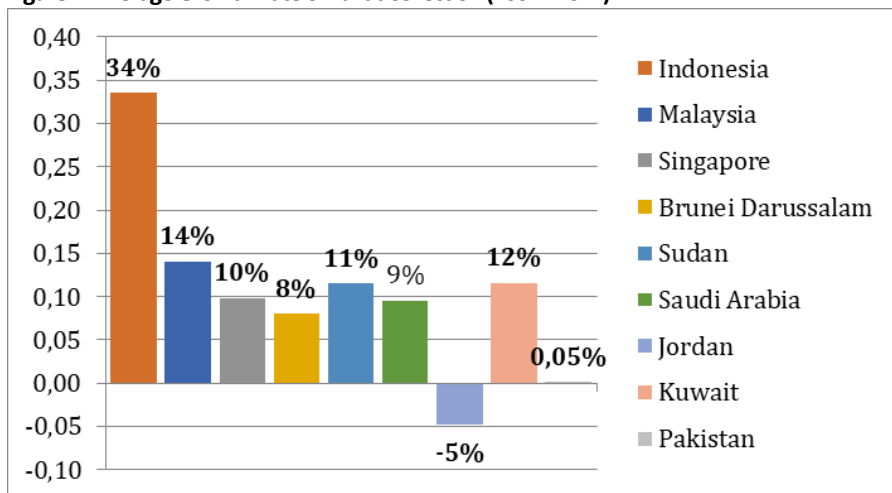
| No. | Name of Country | Type of Approach | Incentive |
|-----|-------------------|------------------|-------------------|
| 1 | Saudi Arabia | Voluntary | Zakat certificate |
| 2 | Kuwait | Voluntary | Tax deductibility |
| 3 | Sudan | Mandatory | - |
| 4 | Jordan | Voluntary | Tax rebate |
| 5 | Brunei Darussalam | Mandatory | - |
| 6 | Malaysia | Voluntary | Tax rebate |
| 7 | Indonesia | Voluntary | Tax deductibility |
| 8 | Singapore | Mandatory | - |
| 9 | Pakistan | Mandatory | - |

Source: own analysis

Implication of The Taxation System

Every country, of course, expects development to occur in its area. The case is true in almost every aspect, including zakat. The zakat collection keeps increasing year by year indicating both better governance on zakat and the increase of people awareness in paying their zakat obligation. Better governance on zakat is an active action to fundraise the zakat from the authority while people awareness is the active action from the other side. The growth of zakat collection also could imply that the economy of the country goes in better direction. The summary of zakat growth from 2001 until 2017 is shown at figure 1.

Figure 1. Average Growth Rate of Zakat Collection (2001 - 2017)

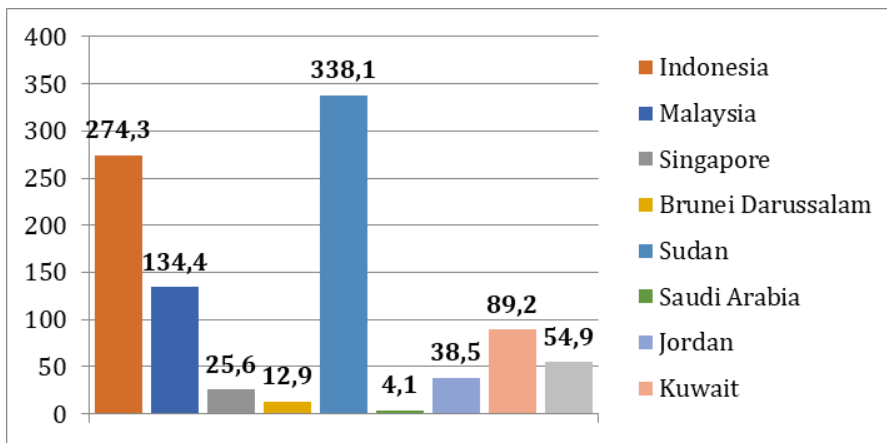


Source: Annual zakat report from each country, self-processed

As it is shown at the table above, Indonesia experienced highest growth rate by reaching 34%. Its high number of Muslim population could be one of the factors contributing to this achievement. Meanwhile, the average of the other eight countries excluding Jordan and Pakistan was 10.5%. The most interesting is the growth of two countries which are Jordan by minus 5% and Pakistan by 0.05%. The very late establishment of specific directorate that

governs zakat under Ministry of Awqaf in Jordan could contribute to the minus growth of zakat collection in this country. Nevertheless, other factors might have impact on zakat collection. On the other hand, the cause of zero growth in Pakistan cannot be drawn from the zakat authority as similar to Jordan since Pakistan has established its Central Zakat Council long time ago. The attractive part is the zero growth stems from high fluctuation in zakat collection. For example, this country experienced 57% growth on 2003 while minus 25% on 2011 and another increase of growth by 17% in 2014.

Figure 2. Zakat Collection (in million dollars) in 2015



Source: Annual zakat report from each country, self-processed

Even though the growth rate of Indonesia is the highest among others, its zakat collection is only the second highest competing with Sudan. By 2015, zakat collection in Sudan reached 338.1 million dollars while Indonesia collected 274.3 million dollars. Interestingly, Singapore as non-dominated Muslim country got 13 million dollars higher than Brunei Darussalam which is declared as Muslim country. It even surpassed Saudi Arabia which gained only 4.1 million dollars of zakat collected in 2015. Interestingly, zakat amount exceeds the waqf fund which mounted to USD 200,000 in 2007, which according to Abdul-Karim (2010), it is due to optimized promotion towards zakat awareness and collection. Pakistan which has a zero growth of zakat

collection was still able to obtain higher amount of zakat compared to Singapore, Brunei Darussalam, Saudi Arabia and Jordan. Figure 2 summarizes the zakat collection in 2015.

JIAFR | 318 **Table 2. Zakat Ratio of All Countries**

| Year | South East Asia | | | | KSA | Middle East | | | Other PKS |
|------|-----------------|-------|-------|--------|-------|-------------|--------|--------|--------------|
| | IND | MLY | SNG | BRN | | JRD | KWT | SDN | |
| 2006 | 1,28% | 3,92% | - | 8,29% | - | - | 5,03% | 47,33% | 6,84% |
| 2007 | 2,18% | 4,15% | - | 8,33% | - | - | - | 45,06% | 6,17% |
| 2008 | 2,13% | 4,37% | - | 7,87% | - | - | 3,74% | 40,28% | 4,74% |
| 2009 | 2,45% | 5,54% | 5,18% | 16,42% | - | - | - | 41,92% | 4,20% |
| 2010 | 2,51% | 5,47% | 4,81% | 11,83% | - | - | 11,59% | 40,37% | 3,36% |
| 2011 | 2,53% | 6,11% | 4,59% | 6,95% | - | - | - | 46,39% | 2,22% |
| 2012 | 2,94% | 6,77% | 4,78% | 7,83% | 0,04% | - | 8,36% | 50,77% | 2,04% |
| 2013 | 3,17% | 7,76% | 5,07% | 9,18% | 0,05% | - | 4,87% | 39,09% | 1,88% |
| 2014 | 3,58% | 7,86% | 5,48% | 10,46% | 0,05% | - | 5,86% | 34,02% | 1,99% |
| 2015 | 3,63% | 7,85% | 5,74% | 12,68% | 0,06% | 10,56% | 10,48% | 37,14% | 2,17% |
| 2016 | 4,64% | 6,64% | 6,07% | 14,79% | - | - | 10,72% | 44,71% | - |
| 2017 | 5,25% | 7,42% | 6,72% | 13,96% | - | 8,48% | - | - | - |

Note: IND is Indonesia, MLY is Malaysia, SNG is Singapore, BRN is Brunei Darussalam, KSA is Saudi Arabia, JRD is Jordan, KWT is Kuwait, SDN is Sudan, PKS is Pakistan. Source: Annual zakat and economic report of each country, self-processed.

The first is comparison between ASEAN countries. Here we can clearly see that Brunei Darussalam reaches the highest zakat to GDP ratio in every year observed. In Brunei Darussalam, regulation and management of zakat is controlled under the Ministry of Religious Affairs which is constitutionally managed by Bagian Kutipan dan Agihan Zakat (BAKAZ) (Febrianti, 2011). As it is also mentioned above, the type of zakat collection here is mandatory. However, Bashir and Ali (2012) commented that with the zakat policy as mandatory, high income per capita, zakat accumulation in Brunei Darussalam is relatively still low. One of the reasons is that the collectible zakat item is

limited. The second highest is Malaysia which zakat management is officially run by the government through the Zakat Collection Centre (PPZ) formed by the Federal Territory Islamic Religious Council (MAIWP) which is available in each state. Singapore takes the third place by gaining 4.03% in average in this region despite having far lower zakat collection. This is due to the small number of Muslim population in Singapore while having high income per capita. Indonesia which only has an average of 3.02% must stay at the last position within region. Here, we can understand that the high zakat accumulation is mainly due to the large number of its Muslim population. At this point of explanation, we still cannot conclude the effectiveness of making zakat as mandatory or compulsory.

Meanwhile, the zakat to GDP ratio in Middle East countries indicates same conclusion. Here, the highest ratio is shown by Kuwait which makes zakat as voluntary action from its payers governed by Zakat House of Kuwait (Bait Zakat Al-Kuwaiti). The ratio reached its peak in 2010 which was 11.6%. This figure is considered high compared to ASEAN region. The successfulness of Kuwait is followed by Jordan which has Zakat Fund of Jordan as the zakat manager. Only two reports show that this country actually has better zakat collection compared to many ASEAN countries. In the opposite of the earlier two countries, Saudi Arabia which stipulated that zakat is mandatory experienced the lowest zakat collection. It is barely seen since the ratio counts for only 0.05% in average. Allami (2015) has a thought on why this very low ratio happened. He said that the implementation of the regulation is mainly charged to legal entities and not to individual since the annual financial statement is reported only by the legal entities.

In the meantime, Sudan as one of African countries shows a remarkable zakat to GDP ratio. It never steps under the value of 30%. Instead, it peaked in 2012 by reaching more than half of GDP. The effort of Chamber of Zakat as the highest independent body governing zakat shall get an appraisal. The successfulness of Sudan as the example of how mandatory approach of zakat can encourage people to pay more attention to their zakat must be compared to Pakistan. This last country declares as jurisdiction that upholds the shariah

law tightly. Therefore, the zakat in Pakistan is mandatory. However, unlike Sudan, Pakistan as part of South Asia countries recorded low zakat to GDP ratio. Its highest amount was only 7% which decreased gradually year by year where it eventually dropped to roughly 2% in 2015.

All the elaboration of findings above suggests that based on the region, we find no preference of type of approach of zakat. The statement is still true even after observing into ratio in each year. In ASEAN, Brunei Darussalam with its mandatory type of zakat is leading followed by Malaysia that makes regulation of zakat voluntary. In the Middle East, Kuwait as the country which follows voluntary approach surpassed the other two. Meanwhile, Sudan that apply mandatory approach recorded impressive ratio of zakat collection.

Table 3. Average of Zakat Ratio

| Country | Approach of Zakat | Ratio |
|-------------------|-------------------|---------|
| Sudan | mandatory | 38,922% |
| Brunei Darussalam | mandatory | 10,714% |
| Malaysia | voluntary | 6,153% |
| Kuwait | voluntary | 5,055% |
| Singapore | mandatory | 4,037% |
| Indonesia | voluntary | 3,025% |
| Pakistan | mandatory | 2,967% |
| Jordan | voluntary | 1,587% |
| Saudi Arabia | voluntary | 0,017% |

Source: self-processed

Next, in table 3 we provide an overall view on this matter by taking only the average of zakat ratio for all available years. The result shows that the first two ranks is achieved by Sudan and Brunei Darussalam which have mandatory approach. Furthermore, the next two ranks are voluntary countries. The rest of the ranking records a sequence and alternate order between mandatory and voluntary. However, it is important to note that the range between the first two mandatory countries and next two voluntary countries are too wide which is 4%-32%. Even though the result seems inconclusive in a glance, the wide differences between two types of approach

implies that mandatory approach is more efficient compared to the voluntary. Similar result in other area is showed by Khamis and Yahya (2015) that law enforcement can help better improve the problem.

Conclusion

Zakat is said to have big potential in helping the economy condition. Thus, every country struggles in an attempt to make policy for making their zakat collection better. Many aspects are developed such as establishing an independent zakat body, empowering the human resources on zakat matter and including making attractive regulation. For the last type of attempt, people are still in discussion on whether making zakat as mandatory as tax that making its trespasser punished is more efficient rather than making it a voluntary action that has no enforcement in the eyes of the law. Our research here finds that each country has different type of approach. Sudan, Brunei Darussalam, Singapore and Pakistan are the examples of countries which follow mandatory approach while Malaysia, Kuwait, Indonesia, Jordan and Saudi Arabia are the examples of voluntary approach. Within the report that obtained from those 9 countries from 2006-2017, this research finds that by looking into each year report of every country it is inconclusive as to whether mandatory or voluntary is more efficient in collecting zakat. However, a more general view by taking average ratio of zakat to adjusted GDP implies that the country with mandatory approach of zakat collection has a higher ratio. Based on this finding, policy makers can adjust their zakat regulation to incorporate zakat in national law to equip with law enforcement that eventually helps in increasing the zakat collection. Introducing new set of regulation that helps the incorporation of zakat into national tax law should be the utmost importance. However, additional education regarding the importance of zakat towards society should also take precedence. This research acknowledged its limitation that is the finite observation of zakat and GDP data only from 2006 to 2017. The countries observed are also limited. Thus, we suggest future research to broaden the scope of the countries, or conduct a regional specific research while ensuring a wider range of zakat collection data.

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