

# Emerging the Equity and Fairness of Zakaat over Taxation

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## Abstract

During the 9th century, *Zakah* has been levied in Madina as compulsory payment under the rule of Prophet Muhammad. During the colonial era, taxes were being levied as government revenue to accomplish colonial government objectives. The aim of this paper is to examine conceptually the equity and fairness available in *Zakah* over taxation. Findings show that *Zakah* should be recognized as an equity and fair mode of payment. This study made an assumption, based on the information available at the centre of collection located in University of Putra Malaysia Serdang and the one from Amana Islamic Bank in Dar es Salaam, Tanzania, as evidence of equity of *Zakah* over taxation. As a result, properly managed and dispersed *Zakah* may aid in the promotion of good ethics, the reduction of dependency on external borrowing, and the empowerment of the poor to end their poverty.

## Keywords

*Zakah*, Equity, Fairness, Taxation

## 1. Introduction

Most of the Muslim developing countries are facing economic and social problems (Khan & Watson, 2003). The problems include the spread of poverty due to various reasons such as the lack of enough funds to finance social activities from that situation, most contemporary Muslim scholars try to relate these problems to the oppression of *Zakah* as a formal tool of the collections for government revenue and considering the new policies brought after the disappearing of the *Zakah* in the new registrations act (El-Ashker & Wilson, 2006). This paper contends to be a reason and served as one of the documents which led to contribution of the lack of information regarding fairness and equity available in *Zakah*

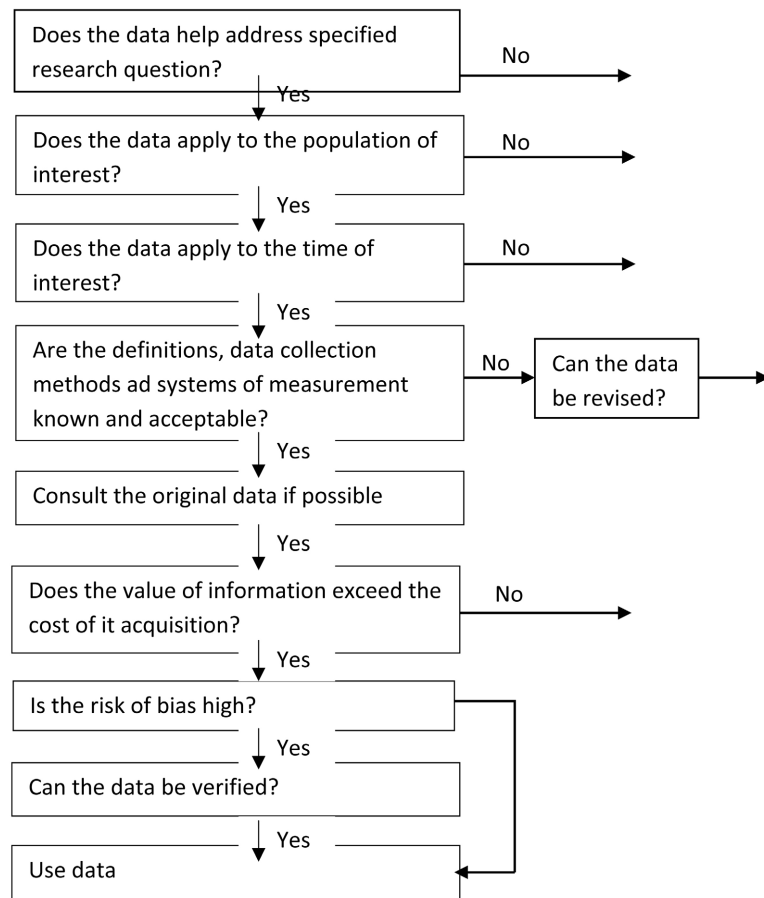
and taxation (Khan & Watson, 2003). This study draws on secondary sources such as books, papers, journals, yearly reports, and websites, as well as the Quran and the Prophet's (PBUH) Sunnah as appropriate.

## 2. Justification of Secondary Data/Research Method

This is a descriptive study that is based on previous literature. Secondary data offers a significant benefit in the usage of existing data sources that include vast volumes of information at a cheap cost and are readily available for study. Others say that secondary data will provide researchers access to the database's millions of person-years of experience, which would be impossible to get in prospective studies. On the other side, incorrect data might jeopardize the quality of study findings and conclusions. The study's broad literature review found ways for assessing the reliability of secondary data. Because it applies statistical techniques to directly analyze the available data, using the adjusted inter-raters/observer as suggested by the study will add value to the way of evaluating the reliability of secondary data. The researchers anticipate that this study will serve as a starting point for future research on secondary data reliability assessment.

The term "secondary data" refers to data or information gathered by someone else (researchers, recognized organizations, system-acceptable data, etc.) for records or other purposes other than the one now being evaluated, or often a combination of the two (Cnossen, 1997; McCaston, 2005). They are primary data for the first researcher and secondary data for the second (Peter & Piet, 2012). Secondary data, according to Weijun (2008), includes both raw data and published summaries. It might save a researcher time that would otherwise be spent gathering data and travelling to the field study region. It may also give a vast, high-quality database that a single researcher would be unable to get. Some business and management academics, on the other hand, use indicators as proxies for constructs, maybe because they are obsolete, incorrect, or have validity flaws (Houston, 2004; Houston & Johnson, 2000; Schutt & Lesher, 2006). Obtaining secondary data nowadays may be a simple and regular job, or it can be costly, depending on the circumstances, although the initial expenses have decreased with the advent of the World Wide Web and the rise in the number of digitally published research sites. The publishing firm Routledge is situated in the United Kingdom (Routledge, O'mahony, & Woodhouse, 2004). As a consequence of its inclusion in such a book, the data's visibility among media and management researchers may have already grown. As a result, the researcher or environment that reuses the data may not need to re-evaluate the data's pre-determined degree of authenticity and reliability. In certain situations, it may also be used as a baseline against which the findings of acquired primary data can be compared to establish the data's originality (David & David, 2016) (Figure 1).

Every researcher should be familiar with the notion of data dependability, particularly in the fields of business, management, social sciences, and fundamental sciences (Shuttleworth, 2009). According to the researchers, it might be an



**Figure 1.** Evaluating secondary data. Source: adapted from FOA corporate document repository.

approach for improving the inherent consistency or repeatability of collected data (Shuttleworth, 2009). A researcher will utilize as many duplicate sample groups as feasible to preserve internal dependability and limit the risks of an odd sample group skewing the findings. Something is amiss with the data if each study employs three duplicate samples and one yield considerably different findings than the others. It is the degree to which the findings of a sample research stay consistent over time and the accuracy with which the complete population under consideration is represented, according to (Golafshani, 2003). The research instrument is regarded dependable if the findings of a study can be replicated using a comparable technique. This opinion is shared by most academics, including Bankole (2003), Phelan & Wren (2006), Roberta & Alison (2015), Oyenyi, Abiodun, Moses, & Osibanjo (2016) and others. They defined dependability as a measuring device's capacity to consistently provide the same result when used on the same object, or the consistency of several measurements of the same occurrence. This idea implies that dependability is related to the consistency of the research equipment rather than the data. The first data acquired with the instrument at various times is used to determine the device's reliability. Similar views have been advanced by scholars such as Barbie (2010), Flintermann (2014), Pierce

(2009), Tasic & Feruh (2012) and others. The degree to which a research instrument or procedure consistently produces the same results under the same conditions, regardless of how many times it is used, or the degree to which a researcher can rely on the data source and hence on the data itself, according to these scholars. According to Flintermann, researchers may enhance the repeatability and internal consistency of their study equipment to increase its dependability (Table 1).

**Table 1.** Criteria for assessing reliability/validity in a market research report.

	Indicators for reliability and validity	Level of reliability and validity	Level of validity
Clear specification of data collection and data analysis	Detailed description on which type of research was used	High	High
	Definition of research variable	High	High
	Sources used stated	High	High
	Information on how it dealt with missing data	High	High
	Date of collection available	High	High
	Information on how quality of data used in controlled	High	High
	Transforming data (from raw data to result	High	High
	Information about method used, e.g. statistical tests	High	High
	Coding of data whether and how?	High	High
	Clear organisation of data	High	High
Clear specification about potential changes in procedure	Contact data presented	High	High
	Information about changes in methods used from one study to another	High	High
	Information about changes in sources used from one study to another	High	High
Updates	Information about changes in definitions used from one study to another	High	High
	Due to error correction—information given	High	High
Result of comparing data collected out the research concepts with the actual research concepts data	Due to new version of report	High	High
	Dataset similar to each other	High	High
Missing research variables report	Data for missing variables could be found using other sources that the research	Low	Low
	Data for missing variables could partly be found using other sources that the research	Medium	Medium
	Data for missing variables could not be found using other sources that the research	High	High

Source: adapted from (Flintermann, 2014).

Secondary data has a huge advantage over existing data sources in that it contains large amounts of information at a cheap cost and is easily available for study. Even Vroom & Vroom (1996) propose that secondary would make millions of people's experiences in data bases available, something that would be difficult to acquire in prospective research. Incorrect data, on the other hand, might jeopardise the study's results and conclusions. The research believes that applying the adjusted inter-raters/observer as indicated by the study would add value to the manner of assessing the reliability of secondary data since it employs statistical methods to directly estimate the available data.

### **3. Zakah, Tax System and Assumptions in Retrospect: Literature Analysis**

#### **3.1. Zakah**

*Zakah* is the third pillar in Islam, whereby it is obligatory for any Muslim who has a source of income that fulfils certain conditions to pay *Zakah* with at a specified time.

#### **3.2. Conditions to Pay Zakah**

According to the source of this compulsory payment (Surah At-Tauba, 9:103) highlight the following qualifications to pay *Zakah*;

- 1) Money and items must be measurable in order to know how much can be calculated as 2.5%.
- 2) The amount must be full possessed in accordance of the law.
- 3) Must fulfill one's basic needs. Before paying the *Zakah* payers must be covered the basic needs. Based on this situation you can have the minimum to pay but not qualified to pay *Zakah* because you don't have enough to cover the basic needs.
- 4) The completion of the one-year haul/lapse of wealth. Means, any wealth passed with one year must be paid *Zakah*.

#### **3.3. Objectives of Zakah**

According to the Quran (Tauba 9.60), the aim of the *Zakah* is to purify the worth of the rich people by taking some and give it to the poor people to enable them to become the payer in the next year for the purpose of reducing inequalities and making every one to work and earning for his satisfaction at least for basic needs.

#### **3.4. Zakah Receivers: Categories**

According to Quran, *Zakah* is collected by the state and distributed to eight categories of people listed below:

- 1) Poor;
- 2) Needy;
- 3) Collector and administrators;

- 4) New convert to Islam;
- 5) Bondage;
- 6) Debt and service of the cause of Allah;
- 7) For the wayfarers;
- 8) A duty ordained by Allah (S.W.T).

*“Zakat is for the poor and the needy and those who are employed to administer and collect it, and the new converts, and for those who are in bondage, and in debt and service of the cause of Allah, and for the wayfarers, a duty ordained by Allah, and Allah is the All—Knowing, the wise (Sura Al-Tauba, 9:60)”*.

### **3.5. Zakah Must Be Administered: Why?**

*Zakah* has the directives from Allah S.W.T, that, *Zakah* must be administered because:

1) *Zakah* is an obligation and failure to pay it infringes the right of recipients and cause injustice to the society.

2) State may collect because of the system in place, *i.e.*, to put order in place.

*Zakat* is an integral aspect of Islam’s social safety net; it assists the poor while also collecting money from the wealthy. *Zakat* is a state-run organisation that collects monthly contributions and provides organised assistance to all those in need. It does not depend on the generosity of individual volunteers. *Zakat* also helps to reduce economic disparities and increase social welfare. According to Abdul Rahman, *Zakat* assists the poor in increasing their buying power, resulting in greater consumption, expenditure, and aggregate demand. However, this is not to suggest that *Zakat* as a social redistributive system is without problems.

Because *Zakat* is compulsory in the Sunni jurisprudence of Islam but not the Shi’a jurisprudence, and most Muslim nations’ society are growing more secular, *Zakat* is no longer a mandatory but voluntary alms giving in many Muslim countries today. Similar problems arise when it comes to who collects and distributes *Zakat*. The application of Islamic law raises concerns about the propriety of new interpretations. Allowing *Ijtihad* may be viewed as allowing too much freedom in finding new meanings for the verses of the Qur’an and the teachings of Sunna, different than what was originally intended, there is also the fear of interpreting the holy book in ways that serve the interests of some groups and not others, however, closing the door of *Ijtihad* completely can also be viewed as a disadvantage.

## **4. Description of the Taxation**

Every government in the world relies on the experience of paying taxes (Kira, 2017). It is imposed by man-made legislation on individuals, income, commodities, and transactions in order to generate public money that allows the government to provide protection and other social-economic benefits to its population. Tax revenues are utilized to influence national government growth as well as to

fund a significant portion of government activities, such as public social services (Kira, 2017).

Taxation is the largest and most stable source of income for governments, providing far more than any other source. The difficult task of collecting taxes cannot be accomplished without equality and fairness. However, there is evidence of non-compliance with tax laws in the literature.

## 5. Taxation Systems

Smith (1776) and Kira (2017) list three prevalent tax schemes. Regressive, proportional, and progressive tax systems are the ones that have the most effect on lower income earners since the income tax rate increases inversely proportionate to the increase in income regardless of the drop in income. Indirect taxes, for example, are a proportional tax system since they are imposed at a flat rate regardless of income level. This is well-known among taxpayers and affects low-income earners, while the progressive tax is a tax levied in proportion to an increase in income. The level of income is frequently taken into account while calculating this tax. Furthermore, according to Smith (1776) and Kira (2017), successful tax systems should be fair and equitable, as well as easy in that tax payers can forecast how much they will pay. Furthermore, collection expenses must be lower than the amount collected.

*Zakah* is equitable and fairly charged because it is based on basic needs, it is convenient because everyone knows the exact amount and time to pay as stipulated in the Quran, and it has no cost of collection because it is a sin for a person who is obligated to pay and does not pay, and a payer believes that he or she will be held accountable. As a result, the notion of Adam Smith may easily be related to *Zakah*, since *Zakah* is a more effective method of collecting state money (Verse 9.60 of the Quran).

Although *Zakah* may be referred to as a taxation system, Majeed (1993), Barizah & Rahim (2007) contends that it has several implications and hence cannot be compared to the present tax system. As a result, in such circumstance, *Zakah* is more successful than taxes in achieving communal well-being. However, *Zakah* is similar to prayer for Muslims and must be paid before any obligations. As for non-Muslims, during the reign of Caliph Umar bin Khatab (ra), non-Muslims were asked to pay tax because tax is a man-made strategy to fund social services, whereas *Zakah* is an order from Allah S.W.T to pay *Zakah* when the payer reaches a certain amount (al Nisaab.)

## 6. The *Zakah* Collection

Malaysia updated its nation laws in the 1990s to include *Zakah* in income tax rules (pay as you earn), making it one of the first countries to make significant progress in *Zakah* collection and employee income tax. Furthermore, in 1986, Sudanese laws were altered to allow the government to collect *Zakah* on a mandatory basis from all wealth, including wages, salaries, professional revenue, and

other types of earnings. Furthermore, this legislation grants the government the authority to collect *Zakah* from the income of any Muslims working in Sudan, as well as professional employees working outside the country. Malaysian tax legislation, on the other hand, encourages Muslims to pay *Zakah* on a monthly basis and present documentation to the Revenue Authorities in order to obtain back the amount taken from their earnings in the form of tax. Lessons indicate that collecting pay as you earn (PYEE) from all employees in the informal and non-informal sectors is simple utilising this approach, which may also be done via *Zakah*. Because, first, Muslims will be motivated to comply voluntarily with one obligation of *Zakah* on income tax and motivated to see how *Zakah*'s objectives will be implemented; second, there will be savings in paying *Zakah* because *Zakah* is paid after deducting basic needs from surplus, which may be less than the proportional tax rate set by the government. On the other hand, the inclusion of *Zakah* in the taxation system demonstrates the equality and fairness of *Zakah*'s presence.

## 7. Assumptions to Consider Fairness and Equity Exist on *Zakah* over Taxation System

As mentioned earlier the consensus reached by contemporary Muslim's scholars that *Zakah* can be made monthly below are example of survey to show *Zakah* collected in one point of collections in Malaysia as Islamic country (University of Putra Malaysia) and Amana Bank Dar Es Salaam as the only Islamic Bank where we believe Muslims staff in that Bank are Muslim for 99% in Tanzania.

From **Table 2**, we assume that the basic needs for one's wife and one child is **Tzs 1,500,000**. Then we have to subtract this from the basic salaries to get the excess amount that are required to pay *Zakah*. Not only that, **Table 2** revealed that, the total of **TZS 8,908,500** (2.5% pa divide by 12) can be collected for one month and in one company, one month's service and one family in other words this company can increase 12 families who can be a member of *Zakah* and also will pay *Zakah* by doing so will decrease the number of poor family in the community and in turn will pay other charges and taxes which will be borne from consumptions.

**Table 2.** Monthly *Zakah* earned from the pay of Amana Islamic bank employees in Tanzania: assumptions.

Average Monthly Salaries	No. of Members	Tzs. <i>Zakah</i> Collected	Families Supported	Income Tax
3.2 m - 3 m	39	1,657,500		32,841,900
3 m - 2.8 m	150	5,625,000	1	117,315,000
2.8 m - 1.5 m	50	1,625,000		36,105,000
Total		8,908,500	1	186,261,900

Source: <https://www.amanabank.co.tz/banking/zakat-services>.



However, the estimated salary amount in **Table 2** is after additional expenses such as pension funds and health care. As a result, *Zakah* will help the government fulfil its role of providing a better life for the people, since *Zakah* is for the poor, and the government collects for the purpose of providing a better living for the people. As a result of this scenario, *Zakah* plays a significant part in improving people's lives.

Moreover, tax must be convenient. *Zakah* proves that it is convenient in the sense that time and amount is known to both collector and payers as per described in the Quran Surah At-Tauba (9.60). Furthermore, tax should also be flexible. The *Zakah* shows that it is more flexible and fairly to the level of income in the sense that *Zakah* is charged after deduction of basic needs then payer feels happy because he feels to fulfil his spiritual obligation and at the same times fulfil the requirement of the authority.

## 8. Current Experience

As we have mentioned above, Sudan and Malaysia are the first countries to amend their laws and allow these collections of the *Zakah* officials, where taxpaying Muslims are advised to pay *Zakah* to the nominated commissioners for *Zakah* collector and submit the receipt to the Revenue authority for refund. Moreover, this arrangement has made a big significance in economic development where the money is used to support a lot of development such as education where student is supported in university level and after finishing, they will become a member of paying *Zakah* as well as other duties in a state. Then there is a role of the tax in a *Zakah*.

For example, in Malaysia one of the commissioner agent is University of Putra Malaysia (UPM) where *Zakah* are collected from the salaries of the professional lectures and at the end of the months they are given the slip for paying *Zakah*, where the collected are used to pay the school fees to students who come from poor families, *yateema*, *Masaqeen* and others as has mentioned in the Quran:

*“Zakat is for the poor and the needy and those who are employed to administer and collect it, and the new converts, and for those who are in bondage, and in debt and service of the cause of Allah, and for the wayfarers, a duty ordained by Allah, and Allah is the All—Knowing, the wise (Sura Al-Tauba, 9:60)”*.

## 9. Advantages and Basis of Concepts of *Zakah*

According to Al-Qaradawi (1999), there is no substitute for the word *Zakah*. The term *Zakah* carries unique meanings and significance, and translating it could result to a divert (diversion) in its meanings and purposes from its original context. Majeed (1993: p. 21) further argues that:

*“... although *Zakah* can be a kind of tax and the *Zakah* laws can be referred to as a system of taxation, but significances of *Zakah* are many and it cannot be compared to the existing secular system. Based on that situation it may be possible that *Zakah* does [is] not translated correctly.”*

Any wealth below the required amount (*Nisab*) is not subjected to *Zakah*. In taxation system this situation it is different where the below stated amount are not subjected to pay as you eran (PAYE). In Tanzania below 170,000/= it is not subjected to PAYE.

Furthermore, since the mandatory aspect of *Zakah* is stipulated in the revealed doctrine of the al-Qur'an, the *Zakah* system must be maintained as a charge imposed by Allah on Muslims. Taxation is also payable, but it is sanctioned by man-made laws rather than *Zakah*, despite the fact that the two are similar in appearance. Taxation is a charge imposed by the federal government on residents (individuals or enterprises) of a given state. Because it is a man-made system, the source of regulation is established by the current government.

The government has the last say on what assets and income are taxed, as well as how taxes are collected and disbursed. The same may be said about tax rates, deductions, and other aspects of the system. *Zakah's* rate and manner of payment, according to (Zaim, 1989) cannot alter; nevertheless, tax rates and methods of distribution and expenditure, according to (Zaim, 1989), are flexible. Depending on the government's fiscal framework, tax laws can be changed or even eliminated. Although the *Zakah* legislation has a direct connection to revealed teachings, it is simpler for the government to alter taxation law than it is to amend *Zakah* law because the former does not. It was argued that *Zakah* was more broad-based than progressive taxation since it is levied on both income and idle assets. The poor and needy will immediately benefit from the *Zakah*.

## 10. Brief Evolution of *Zakah* on Legal Aspects

According to Islamic history, under the Caliphate of Abu Bakar, a battle was declared against individuals challenging the obligation of *Zakah*. It would be a sin for someone to refuse to pay without acknowledging their commitment to do so. If the ruler collects more *Zakah* than the agreed upon amount, he must admonish the defaulter and seize *Zakah* from him by force. Defaulters might be fined up to half their money, according to Imam Ahmad Ibn Hanbal and Imam Abu Hanifah, in addition to the calculated *Zakah* (Al-Qaradawi, 1999).

Tax advisors are commonly used in contemporary taxes to assist individuals and businesses in determining their tax liabilities. To put it another way, tax evasion may be described as thus. When we talk about tax avoidance, we're talking about finding and using any loopholes in the existing tax rules and regulations in order to pay as little as possible in taxes. Based on the premise that every taxpayer has the right to attract tax by organizing his financial affairs to minimize the tax burden, its validity is derived. However, tax evasion is not permitted although tax avoidance is. Evasion techniques include reducing taxable income and claiming deductions for expenditures that were not really spent, among others. Tax evasion is a crime committed by anyone who refuses to pay their fair share. When detected, the tax evader must pay both the tax he or she owes and any penalties he or she may have accrued.

In terms of *Zakah*, Muslims should avoid or evade their *Zakah* obligations at all costs. This is against both Islamic and moral principles. According to *Zakah*, alms are to be paid based on the true net worth of an individual's assets. However, *Zakah* can be avoided because it is paid as an act of devotion by those who follow the Prophet Muhammad (peace be upon him) (Zaim, 1989). Islamic law would punish such behaviour as a significant offence against the community under a pure Islamic state. By denying Allah's rights, the offender is violating the letter of Quranic injunctions. Without an Islamic state, the individual must be vigilant since Allah sees our deepest thoughts and intentions.

As a preventative step in several Islamic nations, the government has implemented *Zakah*-payer incentives. In Malaysia, for example, Muslims who pay *Zakah* receive a tax credit from the federal government's tax bureau. As an illustration, if a Muslim paid the authorities RM1000 in *Zakah*, this RM1000 is considered as a tax refund and deducted from the total tax payable. To put it another way, he receives a full refund of the *Zakah* contribution. Developing the *Zakah* system in this way is seen as proactive. This would lessen the financial strain on Muslims by allowing them to pay only *Zakah* instead of both tax and duty. For further information, see Magda & Buerhan (2011).

## 11. Economic and Social Impacts of *Zakah* on Legal Aspects

In Islamic economy, *Zakah* is very significant. It is a voluntary transfer of money and wealth from the wealthy to the less fortunate in society (Miah, 1992). This ensures that every member in the community has a minimal means of subsistence, providing a social security system in an Islamic society (Ahmad, 1989). Throughout history, whenever Muslims faithfully applied Allah's (SWT) and Prophet Mohammad's (PBH) *Zakah* system, the expended objectives of *Zakah* were realised, and its great efforts were visible in the lives of individuals and society. A good example was during the Caliphate of Umar bin. Abdul Aziz, when the *Zakah* system was so successful that finding even one needy person to receive the *Zakah* collected became difficult. This demonstrates how *Zakah*, if correctly administered, may benefit society in the sense that voluntary tax compliance would result in a better living for all members of society. According to Sabiq (1991):

*“What is striking about *Zakah* is that it completes a task that taxes alone could not.”*

Another element that suggests the likelihood of voluntary compliance is the similarities between *Zakah* payers and tax payers in which, *Zakah* payers are anticipated to get rewards and returns in the hereafter, whereas tax payers may receive some service in return, but there is no direct correlation (Barizah & Rahim, 2007). When *Zakah* and income tax are combined, it will appeal to taxpayers' hearts to report crucial facts and comply freely at no cost.

Various negative economic impacts of taxes were found by Hanson (1972). These include disincentives to employment, saving, and starting a business. Tax-

ation may induce inflation and economic resource diversion. As a result, the dilemma demonstrates that taxes alone are insufficient to entice voluntary compliance; instead, the benefits of *Zakah* may be required. Similarly, Ibn Khaldun (1332-1406 AD) and Sadeq (1992) also stated that excessive taxes would impact labour efforts, resulting in a fall in output and population due to emigration, which will ultimately reduce tax income by reducing the tax base. Again, (Siddiqi, 1992a) agreed that as government (consumption) spending rises and more taxes are imposed, economic growth suffers and finally declines (see also Issawi, 1992).

Furthermore, excessive taxes may cause the benefit to the community from the use of the money earned by taxing to exceed the benefit to the community from the use of the money raised by taxation (Hanson, 1972). Ibn Khaldun (1332-1406 AD) made a similar statement much earlier (as reported by Siddiqi, 1992b) concluding that taxes reduce population and civilisation. Furthermore, the tax burden might be passed on to the consumer or producer, affecting the economy (Zaim, 1989). Transfer to *Zakah* if it is not possible. Al-Maqrizi (1364-1441 AD).

## 12. Incentives of *Zakah* to Payer from Spiritual Aspects

*Zakah* has a variety of purposes, including incentivizing productivity, investment, saving, and consumption, helping to redistribute wealth, motivating people to work, reducing economic volatility, and refocusing investment. Additionally, a specific amount of funds spent in accordance with the general economic interests of an economy will assist not only the poor, but all of society as a whole through its multiplier impact on job creation and income generation (Zaim, 1989). As a result, rather of giving periodic financial assistance to the same people, poverty would be reduced over time rather than all at once. This will lead to an improvement in the level of living for the populace as well as an increase in the total amount of *Zakah* and revenue collected. This means that *Zakah*, unlike any other kind of taxes, is fair and equitable.

In the long term, a well-managed *Zakah* programme might save the government money. As a result, in Islamic economies, taxes are kept to a minimum. Sadeq (1992) also rightly said that *Zakah* is a subset and vital aspect of the Islamic economic system's social security system, which supports the less fortunate, such as the destitute, impoverished, unemployable, orphaned, disabled, and so on. *Zakah* is the best sort of social insurance, according to Mawdudi (1975: p. 35), since it minimizes the harmful consequences of a lack of regular plans for collective aid and cooperation. In a capitalist society, a man's life is fully reliant on his own resources, which pushes him to achieve riches in order to spend it in productive enterprises and develop institutions such as life insurance, according to Mawdudi. According to Sharif (1976), *Zakah* in the Muslim constitution of the Caliphate days was so comprehensive and broad-based that it not only promoted socialistic wealth redistribution but also tended to create a healthy non-capitalistic

mindset and a collective spirit in the event that *Zakah* was equitable and fairly administered.

According to Al-Ghazali, *Zakah* is a criterion for determining our level of affection for Allah. Possession of riches, according to the Quran, is a test, not a sign of moral perfection, privileged aristocracy, or exploitation (Abdalati, 1980). According to Al-Ghazali (1997):

*“Our property which is very dear to us, is God’s trust deposited with us. Therefore, it is necessary that they should be sacrificed in his cause, and they should be utilized for seeking his pleasure. If you suffer a loss in them, you should not start crying and wailing and you should not consider that it was your personal property that has been taken away from you, because compared to you Allah is the more rightful owner and He has the right to use it in any way he likes. If you are tested by an increase in them, then you should not hesitate to undertake jihad when called upon to do so, and you should not turn away from obedience to Allah on account of them.”*

According to Islam, the true owner of wealth is God alone, with the owner acting as only an authorised representative and a mere trustee (Abdalati, 1980). Trust in the Shariah’s eyes has an extremely broad meaning, as Al-Ghazali (1983) explains in his explanation. As a Muslim, you are expected to answer to Allah for your acts, and this word carries with it a sense of accountability and a responsibility to Allah.

*Zakah* is also regarded as a way of praising Allah for His blessings. If we don’t want people to emulate our good acts, it’s preferable if we keep it a secret. Most crucial, we must avoid being arrogant or hurting the sentiments of the person we are communicating with. How we saw riches and money may be used as an example of how best and dearest might be used. According to Al-Ghazali (1983), Allah’s bounty is a trust (the concept of trustworthy). All the while, the owners are reminded that they are nothing more than Allah’s representatives tasked with managing their properties. Islam, on the other hand, does not prohibit its adherents from using legal ways to accumulate money and improve their lot in life. *Zakah*, on the other hand, is prepared to be fair and equitable in order to compel a payer pay his responsibility in a way that cannot be compared to other types of obligatory payment.

### **13. Conclusion and Recommendations for the Equity and Fairness of Zakaat over Taxation**

Mentioned earlier, under the administration of Prophet Muhammad (Pbuh) and then the first Caliph Abu Bakr al-Siddiq (ra’a) in the 9th century, *Zakah* was imposed as a mandatory contribution in Madina. During the colonial period, taxes were collected as a source of government income to achieve colonial government goals. Additionally, United Kingdom adopted the first income tax law based on concepts and assumptions for justice and fairness in the 1920s to simplify colonial regulations. Furthermore, the system tended to develop, and when

almost all countries throughout the world gained independence and there was no knowledge in the literature, new tax system laws did not regard *Zakah* as a mandatory way of payment. As a result of this neglect, a number of Muslim nations have been perplexed about the present tax systems and *Zakah*. It also considers if the one under prophet was equitable and fair enough to warrant as a decent payment method. This research made an assumption based on information from the University of Putra Malaysia Serdang's collections centre and Amana Islamic Bank in Dar es Salaam, Tanzania, as proof of *Zakah's* equality over taxes. The results demonstrated that *Zakah* must be acknowledged as an equitable and fair manner of payment as well as an effective socio-financial instrument to address the present societal issues. *Zakah*, if properly handled and distributed, may aid in the promotion of good ethics, the reduction of dependency on external borrowing, and the empowerment of the poor to eliminate their poverty.

Zakat is an important part of Islam's social safety net; it helps those in need while also collecting monies from those who have money. Zakat is a state agency that collects regular payments and offers structured aid to all people who are in need. It does not rely on individual volunteer philanthropy. Zakat also contributes to a decrease in economic disparity and a rise in social welfare. According to Abdul Rahman, Zakat helps the impoverished enhance their purchasing power, which leads to increased consumption, spending, and aggregate demand. But that is not to say, however, that Zakat as a redistributive social system is without flaws.

As per mentioned above *Zakah* is created by Allah SWT for man and it levied on extra to a specific group then it is equity and fairs compared to taxation system. In view of the above below are the recommendations:

- 1) From above analysis we may recommend to conduct empirical studies in this area in order to advise the governments on amending the Laws and make *Zakah* to be collected officially to all the Governments that depend on taxation as a source of income;
- 2) Tax policy makers to establish the need to amend the laws in order to recognize *Zakah* in the income tax;
- 3) Muslim countries it's a time start to think strengthening of the collections of *Zakah* and look the area of pension funds in order to see the possibilities of investing on *halal* investment.

## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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