# INTEGRATED MANAGEMENT OF ZAKAT AND TAXATION FOR REVITALIZING BAYT AL-MĀL:
## A Comparative Study of 'One-Gate System' Models in Indonesia and Malaysia

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Received: October 12, 2025; Reviewed: November 27, 2025; Accepted: December 17, 2025; Published: December 31, 2025

***Abstract***

*Indonesia and Malaysia administer two distinct forms of philanthropy: zakat and taxes. Indonesia mandates this separation to the National Zakat Board and the Directorate General of Taxes. In contrast, Malaysia mandates it to the Inland Revenue Board of Malaysia and zakat-collecting institutions. However, this separation of management disregards modern organisational principles that emphasise performance effectiveness. This research constitutes a normative legal study that employs comparative and historical approaches to examine the implementation of zakat and tax regulations in Indonesia and Malaysia, based on the institution of Bayt al-Māl and the administrators of zakat and taxes as state revenue, as implemented during the time of the Prophet Muhammad and subsequent caliphs. The research findings indicate that, based on systems theory and maqāṣid al-sharī`ah, the management of zakat and taxes should be conducted within a unified* *system of management by integrating various subsystems, comprising zakat, taxes, and customs, as well as the state budget, within a single organisation of the Ministry of Finance. Zakat and taxes must be interpreted in accordance with contemporary interpretations of the Qur'an. This research contributes to the unification and development of zakat and tax subjects and objects to establish an effective and efficient management system that aligns with socio-economic developments and contemporary needs.*

*Negara Indonesia dan Malaysia mengelola dua jenis phlantrophy; zakat dan pajak secara terpisah. Indonesia mengamanatkan kepada Badan Amil Zakat Nasional dan Direktorat Jenderal Pajak, sementara Malaysian mengamanatkan kepada Lembaga Hasil Dalam Negeri dan Institusi pengumpul zakat pada masing-masing negeri. Pemisahan pengelolaan ini mengabaikan prinsip-prinsip organisasi modern yang menekankan kepada kinerja yang efektif dan efisien. Penelitian ini merupakan studi hukum normatif dengan menggunakan pendekatan komparatif dan historis yang mengkaji implementasi regulasi zakat dan pajak di Indonesia dan Malaysia, dengan mengkaji institusi Bayt al-Māl, pengelola zakat dan pajak sebagai anggaran negara yang diterapkan pada masa Nabi Muhammad dan para khalifah sesudahnya. Hasil penelitian ini menunjukkan bahwa berdasarkan teori sistem dan maqāṣid al-sharī`ah pengelolaan zakat dan pajak perlu dilakukan dalam satu sistem manajemen dengan mengintegrasikan berbagai subsistem; zakat, pajak, dan cukai dalam satu organisasi kementerian keuangan yang mengelola anggaran negara. Zakat dan "pajak" sebagai pemasukan negara perlu diperluas maknanya dengan memahami teks al-Qur'an dalam konteks kekinian, begitu juga makna subyek dan obyek keduanya. Penelitian ini berkontribusi kepada upaya penyatuan dan pengembangan subyek dan obyek zakat dan pajak menuju sistem manajemen yang efektif dan efisien sesuai dengan perkembangan sosial-ekonomi, dan kebutuhan kontemporer .*

**Keywords**: *mu`āmalah māliyyah, zakat, taxes, maqāṣid al-sharī`ah, bayt al-māl.*

## Introduction

Zakat constitutes a metaphysical act of worship with significant social implications. As a form of both charitable giving[1] and philanthropic

[1] Kunhibava et al., "Sadaqah, Zakat and Qard Hassan"; Laylo, "The Impact of AI and Information Technologies on Islamic Charity (Zakat)"; Mahmudi et al., "The Charity Values within Islamic Law of Inheritance in Malang."

endeavour,[2] zakat fosters equitable wealth distribution within the tenets of Islam by assisting Muslims who encounter economic hardship and those living below established welfare thresholds. Similarly, taxation constitutes a national duty that citizens must fulfil. Taxes support the state's existence and enhance citizens' welfare across sectors such as education, economics, social well-being, and security. In the context of distribution, taxation and zakat share a relatively analogous function in amplifying societal prosperity.

Within the context of zakat management, Indonesia has entrusted the National Zakat Board (BAZNAS) at the central, provincial, and regency/city levels, with the support of Zakat Collection Agencies (LAZ). To compare, Malaysia delegates it to its every state.[3] Regarding tax management, Indonesia has delegated responsibilities to the Directorate General of Taxes (DJP), the Directorate General of Customs and Excise (DJBC), and regional governments at both the provincial and regency/municipal levels.[4] In contrast, Malaysia entrusted the Inland Revenue Board of Malaysia (LHDN),[5] the Royal Malaysian Customs Department (JKDM), and local authorities (PBT).

The disparate administration of zakat and tax in both countries can engender inequity within the community, affecting both subjects and recipients. Indonesian Muslims, as zakat payers, face the dual obligation of fulfilling both tax and zakat obligations. This regulatory framework is unjust, as zakat payments merely reduce the taxable asset base.[6] Conversely, Malaysia has instituted a more equitable system for its Muslim citizens, wherein zakat payments are tax-deductible, thereby mitigating the overall tax burden.[7] The compartmentalisation of zakat and tax administration, observed in both Indonesia and Malaysia, also facilitates duplicative accounting practices that contravene Islamic principles of equitable wealth distribution (*kay lā yakūna dūlatan bayn al-aghniyā'*).

[2] Adzkiya' et al., "Islamic Philanthropy."
[3] Paizin, "Decentralization in Malaysia's Zakat Management Organizations."
[4] Khalimi and Prawira, *Hukum pajak dan kepabeanan di Indonesia*.
[5] Administration, *Inland Revenue Board of Malaysia: Organization Chart*.
[6] Mukhlishin et al., "Zakat Maal Management and Regulation Practices," 583.
[7] bin Lahuri et al., "Shifting Paradigm of Zakat and Tax for Economic Justice in Muslim Society."

Numerous previous studies have been conducted to justify the disparate administration of zakat and taxes in Indonesia and Malaysia[8]. They studied zakat and tax management separately in their administrative aspects, utilising new information technology and applying the *maqāṣid al-sharī'ah* approach to enhance efficacy.[9] Many studies have highlighted the distribution of zakat in areas that overlap with tax allocation. Abd Khafidz et al. stated that zakat, as a modality of both charitable giving and philanthropic endeavour, has been the subject of extensive scholarly inquiry. Its capacity to alleviate poverty and support vulnerable populations, including those affected by the COVID-19 pandemic,[10] has been documented, particularly in enabling productive activities conducive to sustained economic viability. The disbursement of zakat for the purpose of bolstering community economic well-being, primarily directed toward the eight *aṣnāf* categories of recipients, is generally met with consensus among zakat scholars.

Many studies have also demonstrated that the interplay between zakat and taxation addresses whether zakat should be treated as a tax deduction or a deduction from taxable income, as well as the potential integration of zakat and taxes as a source of government revenue. Lahuri and Mukhlisin et al. highlighted that Malaysia, a state grounded in Islamic principles, permits zakat payments to be deducted from tax amounts under Section 6A(3) of the

[8] Suprayitno et al., "Zakat Sebagai Pengurang Pajak Dan Pengaruhnya Terhadap Penerimaan Pajak Di Semenanjung Malaysia."
[9] Mustari et al., "Multipartner Governance and the Urgency of Poverty Alleviation Policy"; Adila et al., "The Role of Zakat in Maintaining Economic Stability Under the Threat of Global Economic Recession"; Aisyah and Hasniaty Hasniaty, "Zakat Management Strategy at the National Zakat Agency in Makassar City"; Hafzi et al., "The Role of the State in the Management of Zakat in Indonesia"; Saadoun, "Sustainable Development Management in Islamic Jurisprudence Zakat as a Model"; Fatwa and Hashri, "Islamic Social Financing of The National Zakat Amil Agency Program for Support Ensures the Availability and Sustainable Management of Water and Sanitation for All (Case Study of Islamic Boarding Schools Riyadul Awamil Indonesia)."
[10] Abd Khafidz et al., "Systematic Literature Review"; Bahri et al., "Covid-19 and Efficiency in Zakat Institutions"; Junoh et al., "Analisis Strategi Pengurusan Zakat Dalam Mendepani Covid-19"; Mursal et al., "Retracted Article"; Rahman and Ma'adi, "An Analysis Of The Utilization Of Zakah In Controlling The Covid-19 Pandemic Perspective Of Maqashid Sharia At Amil Zakat Institution In Pamekasan Regency."

Income Tax Act (ITA) 1967.[11] Conversely, in Indonesia, the world's largest Muslim population, zakat payments solely reduce the taxable assets.[12] In Brunei Darussalam, a staunchly Islamic nation, according to Abdullah Al-Mamun, zakat and tax obligations are treated as entirely independent.[13]

Both zakat and taxes aim to enhance societal welfare and mitigate economic disparities among citizens. Individuals obliged to pay zakat and taxes are those who possess better economic well-being than the recipients of zakat and taxes. Affluent individuals bear a responsibility to alleviate the suffering of those living in poverty. Religious scripture underscores the inherent right of economically disadvantaged individuals to a portion of existing wealth, as evidenced by the Quranic verse, "*wafī amwālihim ḥaqqun li al-sāili wa al-maḥrūm*" [QS. Al-Dzāriyāt: 19]. Furthermore, the essence of economic equity within society is emphasised in the al-Quran, "*Kay lā yakūna dūlatan bayna al-aghniyā*" (QS.al-Ḥashr: 7). Zakat and taxes, despite their legislative distinctions, share a similar purpose of enhancing societal welfare. Zakat places greater emphasis on individual well-being, directly benefiting individuals who fall within the categories of *aṣnāf al-thamāniyyah*. In contrast, the beneficiaries of taxes extend beyond individuals to encompass improvements in educational, economic, social, cultural, and security infrastructure, ultimately aimed at achieving collective welfare.[14]

Given that zakat and tax management are conducted separately in Indonesia and Malaysia, despite their shared substance and objectives, this article analyses the need to unify zakat and tax management within a single institution under the Ministry of Finance in both countries. This analysis employs a systems theory and *maqāṣid al-sharī`ah* approach, as proposed by

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[11] bin Lahuri et al., "Shifting Paradigm of Zakat and Tax for Economic Justice in Muslim Society."
[12] Mukhlishin et al., "Zakat Maal Management and Regulation Practices," 583.
[13] Al-Mamun et al., "Measuring Perceptions of Muslim Consumers toward Income Tax Rebate over Zakat on Income in Malaysia"; Fikri et al., "A Study of Muslims' Perceptions of Zakat as a Tax Reduction in Malaysia and Indonesia"; Fikri and Pd, "Zakat as Tax Reduction"; Islamy and Aninnas, "Zakat and Tax Relations in Muslim Southeast Asian Countries (Comparative Study of Zakat and Tax Arrangements in Indonesia, Malaysia and Brunei Darussalam)."
[14] Direktorat Kajian dan Pengembangan Badan Amil Zakat Nasional, *Outlook Zakat Indonesia 2024*.

Jasser Auda[15] and Imām al-Shāṭibī in his work, *al-Muwāfaqāt*. The study is intended to revitalise a unified system for the Bayt al-Māl institution to manage zakat and tax as a state treasury, as in the time of the Prophet Muhammad (peace be upon him) and in subsequent Caliphates.

**Research Methods**

This normative and comparative legal research examines the implementation of regulations promulgated by the governments of Indonesia and Malaysia governing zakat in both countries. Furthermore, the present research employs a historical approach by examining the Bayt al-Māl institution in the implementation of zakat and taxation as state budgets during the era of the Prophet Muhammad and the subsequent caliphs.

The primary legal sources for data collection are derived from the legislation governing zakat management and taxation in both states. For Indonesia, the statutory laws studied include Law No. 23 of 2011 concerning Zakat Management, Law No. 7 of 2021 concerning Harmonisation of Tax Regulations, and Law No. 6 of 1983 concerning General Provisions and Tax Procedures. For Malaysia, the source studies include the Income Tax Act 1967 (Act 53), the Sales Tax Act 2018 (Act 656), and the Service Tax Act 2018 (Act 655) concerning taxes. Some other regulations in Malaysia were also studied, including regulations concerning zakat issued by each state, such as the Administration of Islamic Law (Federal Territories) Act 1993 (Act 505), Selangor Islamic Religious Administration Enactment 2003 (Enacment No. 9 of 2003), Johor Administration of the Religion of Islam Enacment 2003 (Enacment No. 9 of 2003), among others.

This framework supports the researcher's assessment that zakat and taxation are pivotal sources of state revenue, instrumental in supporting governmental functions aimed at societal welfare. The theoretical analysis is reinforced through the application of systems theory and maqāṣid al-sharī`ah, as illustrated by Jasser Auda in his work, *Maqāsid al-Sharī`ah as A Philosophy of Islamic Law: A System Approach*, and Imām al-Shāṭibī in his treatise, *al-Muwāfaqāt*. This involves collecting al-Qur'an texts governing zakat and taxation, which are then grouped into two categories: *al-āyāt al-kulliyah*, as verses containing universal principles, and *al-āyāt al-juz'iyyah*, as verses containing partial provisions relevant to the practices at that time. The first group of verses serves as a basis for consideration and a parameter for understanding the second group. The synthesis of these two groups of verses positions the *al-āyāt al-kulliyah* related to the regulation of zakat and taxation as moral ideals that need to be contextualised in Indonesia and Malaysia to harmonise and unify zakat and tax management within one institution, as was the Bayt al-Māl, which was in place during the early Islamic governments to increase and avoid overlap in the collection and distribution of zakat and taxes to the community.

## Discussion

### Tax and Zakat in Indonesia and Malaysia

Indonesia and Malaysia represent the largest Muslim-majority nations in Southeast Asia, with Indonesia holding the distinction of being the world's most populous Muslim country. Despite this shared religious demographic, the two nations exhibit notable divergences, as shown in the following Table.

**Table 1.** Legal System Differences between Indonesia and Malaysia

| INDONESIA | MALAYSIA |
|---|---|
| Islam as an intrinsic value within the State | Islam as the foundational basis of the State |
| A law-based republic | Monarchy |
| The President as the Head of State | The King as the Head of State |
| Unitary State | Federal State |
| Civil Law System | Common Law System |

Source: Synthesised Data

Disparities in state systems influence the administration of zakat and taxation, encompassing both collection and disbursement. In Indonesia, Islam, as a valued guiding principle, cannot formally dictate governmental mandates. The Indonesian government adheres to a republican system, vesting power in the citizenry, who delegate their authority and desires to the

House of Representatives (DPR), the legislative branch responsible for setting regulations on zakat and taxation. Unlike Indonesia, Malaysia designates Islam as the state religion and the King as the head of state. Consequently, zakat regulations in Malaysia are aligned with Islamic precepts. Therefore, zakat management in Malaysia, encompassing both collection and distribution, is more structured than in Indonesia, and it qualifies as a tax deduction. Conversely, in Indonesia, zakat payments only serve to reduce taxable gross income.

The unitary structure of the Indonesian state, coupled with its adherence to the Civil Law System, presents considerable challenges in formulating cohesive regulations that adequately address the diverse traditions, cultures, and economic strata of the Indonesian populace. Identifying shared principles and values amongst Indonesia's multiethnic society represents a complex undertaking for legislative bodies tasked with drafting zakat regulations. Conversely, Malaysia's federal system and its adoption of the Common Law System facilitate the establishment of zakat regulations, as the Malaysian state mandates regulatory authority over zakat to each state, which exhibits comparatively less societal heterogeneity.

Nevertheless, in the context of zakat administration, Indonesia and Malaysia exhibit parallels in their segregated management structures; their regulatory frameworks governing zakat management remain distinct in both nations. Within the Indonesian system, the National Amil Zakat Agency (BAZNAS) assumes responsibility for zakat administration at the central, provincial, and district/city levels, alongside the Amil Zakat Institution (LAZ), a community-based zakat administrator. Furthermore, BAZNAS establishes Zakat Management Units (UPZ). The statistical data released by BAZNAS in 2024 reveals the total zakat collection throughout Indonesia.

**Table 2.** Zakat Collection in Indonesia (In Indonesian Rupiah)

| No | Administrator | Number of Zakat Organisation | Collection Amount 2022 | Collection Amount 2023 |
|---|---|---|---|---|
| 1 | BAZNAS | 1 | 633.868.137.321 | 517.433.666.019 |
| 2 | BAZNAS Province | 34 | 721.158.129.685 | 427.783.823.358 |
| 3 | BAZNAS Regency/City | 514 | 1.761.464.987.373 | 1.134.008.954.959 |
| 4 | National LAZ | 36 | 3.344.534.055.159 | 3.100.969.158.888 |
| 5 | Provincial LAZ | 33 | 277.605.406.294 | 272.064.015.261 |
| 6 | LAZ at the Regency/City Level | 60 | 144.587.951.632 | 106.638.758.815 |
| 7 | ZIS-DSKL Off-Balance Sheet | | 15.592.436.811.208 | 9.145.345.435.830 |
| Total | | 678 | 22.475.655.478.672 | 14.704.243.813.130 |

Source: Book on "Outlook Zakat Indonesia 2004"[16]

Zakat collection in Indonesia has been declining. In 2022, the amount of zakat funds successfully collected totalled 22.5 trillion rupiah, while in 2023, this figure was down to 14.7 trillion-rupiah, accounting for a 7.8 trillion rupiah decrease (34.6%). BAZNAS, in collaboration with LAZ, consistently strives to raise awareness of zakat payments through zakat campaigns and by collaborating with digital platforms to provide greater convenience for the public in paying zakat.[17]

In Malaysia, zakat management exhibits heterogeneity across states, as its administration is devolved to individual state authorities. Zakat administrators in Malaysia are broadly classified into privatized and non-privatized entities, consisting of a) Federal Territory Zakat Collection Centre (MAIWP), b) Selangor Zakat Board (MAIS), c) Penang Zakat Management

[16] Direktorat Kajian dan Pengembangan Badan Amil Zakat Nasional, *Outlook Zakat Indonesia 2024*, 55.
[17] Direktorat Kajian dan Pengembangan Badan Amil Zakat Nasional, *Outlook Zakat Indonesia 2024*, 57.

Centre (MAIPP), d) Pahang Zakat Collection Centre (MAIP), e) Melaka Zakat Centre (MAIM), and f) Negeri Sembilan Zakat Centre (MAINS).[18]

Zakat management entities that remain under public administration include: (a) the Kedah Darul Aman State Zakat Department, (b) the Sarawak Islamic Religious Council, (c) the Trengganu Islamic Religious and Malay Customs Council, (d) the Perlis Malay Religious and Customs Council, (e) the Sabah Islamic Religious Council, (f) the Kelantan Islamic Religious and Malay Customs Council, (g) the Perak Islamic Religious and Malay Customs Council, and (h) the Johor State Islamic Religious Council. Complementing these zakat management bodies, the Bayt al-Māl institution in Malaysia administers ownerless assets, such as intestate inheritances, abandoned property, and property with unknown ownership.[19]

Statistical data regarding zakat collection indicate that citizens exhibit a high degree of compliance in zakat payment, as demonstrated by the following statistical figures:

**Table 3.** Zakat Collection Across Malaysia (Nominal values in Ringgit Malaysia)

| Negeri \| TAHUN | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| JOHOR | 412,290,736.96 | 388,014,751.37 | 367,656,000.00 | 323,033,096.38 | 300,855,626.51 |
| KEDAH | 304,561,100.75 | 277,692,918.99 | 252,250,187.78 | 232,793,958.19 | 217,913,020.82 |
| KELANTAN | 296,676,556.00 | 257,091,433.00 | 228,219,483.00 | 209,988,475.00 | 202,654,987.00 |
| MELAKA | 141,344,354.64 | 128,375,682.00 | 116,858,052.42 | 106,077,328.00 | 100,720,991.88 |
| NEGERI SEMBILAN | 160,729,411.92 | 110,425,753.01 | 151,067,453.41 | 147,553,304.91 | 144,088,231.79 |
| PAHANG | 217,132,346.84 | 223,815,609.33 | 214,386,878.96 | 186,733,529.07 | 165,260,316.30 |
| PULAU PINANG | 172,733,359.28 | 159,670,463.95 | 150,144,855.61 | 147,265,438.00 | 130,875,632.57 |
| PERAK | 244,106,846.00 | 227,800,519.27 | 225,057,511.00 | 183,643,097.00 | 191,633,580.59 |
| PERLIS | – | – | – | – | – |
| SELANGOR | 1,218,086,883.00 | 1,118,913,991.00 | 1,067,855,832.00 | 992,911,959.00 | 912,956,543.00 |

[18] Suprayitno et al., "Zakat Sebagai Pengurang Pajak Dan Pengaruhnya Terhadap Penerimaan Pajak Di Semenanjung Malaysia."
[19] Mutalib, *Zakat Amwal Fadhilah, Amalan Di Malaysia.*

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|---|---|---|---|---|---|
| TERENGGANU | 275,645,953.47 | 255,274,985.43 | 228,036,120.32 | 205,291,443.60 | 185,104,612.29 |

Source: Statistical Data on Zakat Collection in Each State of Malaysia [20]

Statistical data on zakat collection in Malaysia and its constituent states indicate an upward trend in zakat accruals across the states. This trend suggests heightened awareness among the Malaysian populace of their zakat obligations, facilitated by the availability of digital payment platforms and regulatory frameworks that treat zakat payments as tax-deductible expenditures.

**Table 4.** Characteristic Differences Between Indonesia and Malaysia Influencing Public Compliance in Paying Zakat

| FEATURE | INDONESIA | MALAYSIA |
|---|---|---|
| Type of Obligation | Religious obligations | Religious and state obligations |
| The Force of Rule | Zakat payment is non-binding. | Zakat payment is legally binding |
| Zakat Administration | Zakat is managed nationally by the National Zakat Board (BAZNAS), Zakat Collection Units (UPZ), and Zakat Institutions (LAZ) | Zakat is managed by State Islamic Religious Councils, each operating under distinct state-level regulations |
| Zakat and Taxable Income | Zakat payments reduce the amount of property subject to taxation[21] | Zakat payments reduce the total taxable properties[22]. |
| Tax liability | Taxation is a civic duty for all citizens | Taxation is a civic duty for all citizens |
| Zakat/Tax Payment Integration | Tax is paid in full after the amount of Zakat reduces the taxable property paid. | The nominal value of Zakat paid can be directly |

[20] Administratur, *Statistik Kutipan Zakat Seluruh Malaysia*.
[21] Laws of Malaysia, Income Tax Act 1967.
[22] Undang-Undang Nomor 7 Tahun 2021 Tentang Harmonisasi Peraturan Perpajakan.

| | | |
|---|---|---|
| | | deducted from the nominal amount of tax owed |
| Tax Authority | The Directorate General of Taxes, under the auspices of the Minister of Finance, oversees taxation. | The Inland Revenue Board of Malaysia (LHDN) manages taxation |

Source: Synthesised Data

Regarding tax administration, Indonesia mandates the Directorate General of Taxes (DJP), under the Ministry of Finance, the Directorate General of Customs and Excise (DJBC), and the Regional Governments (Provinces and Regencies/Cities). The DJP and DJBC, both subordinate to the Ministry of Finance, carry distinct responsibilities. The DJP executes four primary functions: a) the collection of national tax revenues, including Income Tax, Value Added Tax, Sales Tax on Luxury Goods, Land and Building Tax, and other related taxes; b) the dissemination of tax-related socialisation and education to the public; c) the provision of services to taxpayers; and d) the enforcement of laws within the domain of taxation.[23]

The Directorate General of Customs and Excise (DJBC), also under the auspices of the Ministry of Finance,[24] is tasked with managing levies in the context of the flow of goods entering and exiting Indonesia, such as import duties as taxes on imported goods, export duties as taxes on exported goods, and excise taxes on goods categorised as hazardous.[25] Regional governments, on the other hand, are responsible for collecting regional taxes and levies, such as motor vehicle taxes, restaurant taxes, hotel taxes, land and building taxes, and others. In practice, regional governments delegate this responsibility to the Regional Revenue Service.[26]

[23] Undang-Undang Nomor 6 Tahun 1983 Tentang Ketentuan Umum Dan Tata Cara Perpajakan; Undang-Undang Nomor 7 Tahun 2021 Tentang Harmonisasi Peraturan Perpajakan.

[24] Peraturan Menteri Keuangan (PMK) Nomor 234/PMK.01/2015 Tentang Organisasi Dan Tata Kerja Kementerian Keuangan.

[25] Undang-Undang Nomor 39 Tahun 2007 Tentang Perubahan Atas Undang-Undang Nomor 11 Tahun 1995 Tentang Cukai.

[26] Undang-Undang Nomor 1 Tahun 2022 Tentang Hubungan Keuangan Antara Pemerintah Pusat Dan Daerah.

Meanwhile, Malaysia mandates tax administration to the Inland Revenue Board of Malaysia (IRB) (Lembaga Hasil Dalam Negeri Malaysia (LHDNM))[27], the Royal Malaysian Customs Department (RMCD) (Jabatan Kastam Diraja Malaysia (JKDM)), and the State Revenue Authority (Pihak Berkuasa Hasil Negeri). The LHDNM/IRB, a federal government agency, manages and administers direct taxes in Malaysia, including individual income tax, corporate tax, petroleum tax, real property gains tax, gift tax, excise duties, withholding tax, and other taxes.[28]

The Royal Malaysian Customs Department (RMCD)/JKDM is tasked with managing and collecting indirect taxes and overseeing international trade. The taxes and duties administered by this institution include the goods and services tax, the sales and service tax, excise duties on goods such as motor vehicles, import and export duties, and entertainment duties.[29] State Revenue Authorities serve as tax administrators present in each state of Malaysia, responsible for collecting taxes such as land levies, weights and measures fees, entertainment levies derived from business licenses, and other sources.

**The Bayt al-Māl's Role in Historical Development**

To integrate zakat and tax management into a unified system, it is essential to examine the best practices implemented during the time of the Prophet Muhammad and the subsequent Caliphs in the Bayt al-Māl management system. According to `Abd al-Qādim Zallūm, the Bayt al-Māl represents an institution or entity responsible for managing all assets belonging to Muslims, encompassing both revenues and expenditures.[30] The Prophet Muhammad established the informal structure for state revenue, known as the Bayt al-Māl, within the nascent Islamic economic framework. The primary administrative centre of the Bayt al-māl was situated within the Prophet's Mosque, adjacent to his home.[31] During this period, Hanzalah ibn Sayfī served as an aide to the Prophet, responsible for documenting and allocating war spoils (*ghanīmah*) acquired from the Battle of Badr in a manner

[27] Redaktur, *Profil Lembaga Hasil Dalam Negeri Malaysia (LHDNM)*.
[28] Lembaga Hasil Dalam Negeri Malaysia (LHDNM), *Laporan Tahunan 2023*.
[29] Jabatan Kastam Diraja Malaysia, *Pelan Strategik JKDM 2020-2024*, 5.
[30] Zallum, *Al-Amwāl Fī Daula al-Khilāfah*.
[31] Euis Amalia, *Sejarah Pemikiran Ekonomi Islam Dari Masa Klasik Hingga Kontemporer*.

deemed most beneficial for the Muslim community.[32] Furthermore, th Prophet appointed multiple secretaries, each with distinct responsibilitie Mu'ayqeeb ibn Abū Fāṭimah was responsible for recording the war spoi (*ghanīmah*), Zubayr ibn 'Awwām oversaw the documentation of ṣadaqal Ḥuẓayfah ibn al-Yemen managed the enumeration of agricultural output fror the Ḥijāz region, and `Abdullāh ibn Ruwāḥah was charged with gathering dat on agricultural production at the Khaybar territory. Additionally, al-Mughīra ibn Shu'bah functioned as the secretary responsible for documenting saving loans, and related transactions, while `Abd 'llāh ibn Arqām served as th recorder of tribal affiliations and their respective water sources. Consequently, the Prophet Muhammad is recognised as the pioneering figu who introduced a novel economic concept within the state during the sevent century.[34] The Bayt al-Māl management framework during the Prophet's e was predicated on a binary system of revenue and expenditure.

The second year of the Hijri calendar marked the inception of incom generation with the imposition of zakat fitrah on Muslims. Following th Battle of Badr, also in the second year of the Hijri calendar, the Bayt al-M experienced an increased revenue stream, primarily from war spoils (*ghanīmah* which constituted one-fifth (*khumus*) of the total.[35] Furthermore, ranso payments charged from prisoners of war captured at Badr served as a additional source of fiscal input in the nascent Islamic state. Following th Muslims' decisive victory against the Meccan infidels, a considerable numbe of prisoners were taken. The Prophet Muhammad set a ransom price of 4,00 dirhams for prisoners with the financial capacity to remit it. Alternatively, fo indigent prisoners unable to meet the monetary requirement, the Prophe instituted a substitutionary obligation, requiring them to educate ten Musli children in the art of reading.[36]

32 Zalloom, *Funds in The Khilafah State*, 15.
33 Zalloom, *Funds in The Khilafah State*, 16.
34 Karim, *Sejarah Pemikiran Ekonomi Islam*, 51.
35 Huda et al., *Baitul Mal Wa Tamwil Sebuah Tinjauan Teoritis*.
36 Karim, *Sejarah Pemikiran Ekonomi Islam*, 41.

Additionally, the Bayt al-Māl institution derives its revenue from *jizyah* and *kharaj.*[37] *Jizyah* constitutes a per capita tax imposed on non-Muslim residents within Islamic polities, serving as remuneration for the protection of life and property afforded by the Muslim community. *Kharaj* represents a tax levied on land conquered by Islamic rulers but permitted to remain under the management of non-Muslim proprietors. Additionally, the institution managed *waqf* (endowment) and *fay'*, denoting spoils acquired from adversaries without direct combat, which also functioned as a revenue stream during the Prophetic era.[38] Furthermore, the *Bayt al-māl* managed *waqf* (endowments) as the Prophet Muhammad (peace be upon him) received *waqf* land from Mukhairik, a rabbi of Banu Nadhir who embraced Islam.[39] Likewise, the Bayt al-Māl institution managed zakat on wealth (*zakat māl*), encompassing holdings such as gold and silver, commercial goods, agricultural produce, *rikāz* (treasure troves), mineral resources, and livestock, which represents a similarly significant source of income during this period.

Regarding state expenditures during the Prophet's era, all state revenues were initially collected and subsequently disbursed according to state needs, leaving no residual funds.[40] Specifically, income derived from zakat was allocated to the eight *aṣnāf* (categories) of recipients delineated in the Qur'an, including the *fuqarā'* (poor), *masākīn* (needy), *`āmil* of zakāt (zakat administrators), *mu`allaf* (new converts to Islam), *riqāb* (enslaved persons seeking manumission), *gharīm* (debtors), *fi sabīl li`llāh* (those striving in the cause of God), and *ibn sabīl* (travellers in need). Furthermore, expenditures were also disbursed for military campaigns, along with the necessary equipment and provisions for troops. Additional allocations were directed toward infrastructure development, such as the construction of roads and mosques, among other projects.[41]

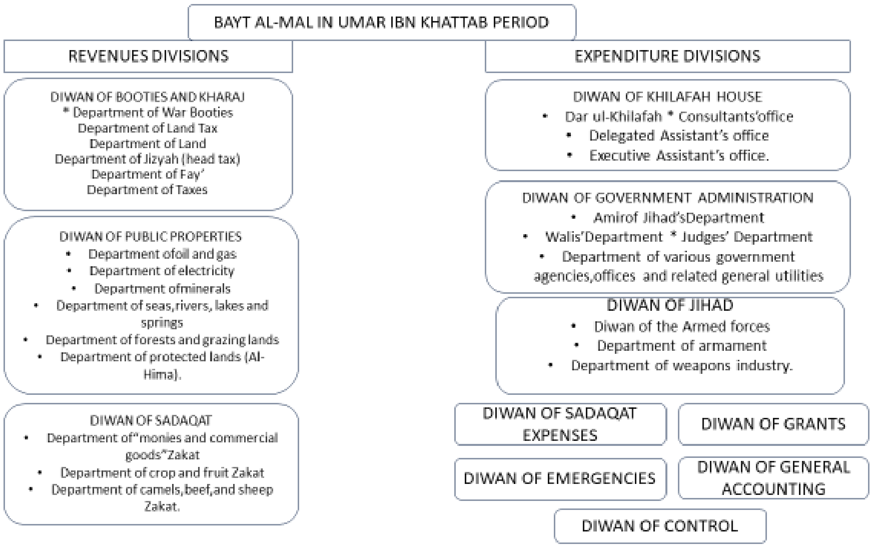
[37] An-Nabhani, *Membangun Sistem Ekonomi Alternatif Perspektif Islam*.
[38] Nur Chamid, *Jejak Langkah Sejarah Pemikiran Ekonomi Islam*.
[39] Nur Chamid, *Jejak Langkah Sejarah Pemikiran Ekonomi Islam*, 49.
[40] Nur Chamid, *Jejak Langkah Sejarah Pemikiran Ekonomi Islam*.
[41] An-Nabhani, *Membangun Sistem Ekonomi Alternatif Perspektif Islam*, 264.

The Prophetic era marked the nascent stage of the Bayt al-Māl institution in its functional implementation, though it had yet to formalise into an official institution. Bayt al-Māl primarily focused on individuals managing Muslim assets, particularly regarding revenue and expenditures. During the caliphate of Abū Bakr, the structure of Bayt al-Māl remained consistent with the Prophetic model, lacking an established institution or designated location for storing state assets. The policies instituted during the Prophet's time effectively established a precedent for managing Muslim wealth in the state's benefit.[42] However, while the function of Bayt al-Māl was extant, Abū Bakr delegated its operational oversight to Abū Ubaydah ibn al-Jarraḥ, using his personal residence for the safekeeping of state treasures, unlike the Prophet's time, when state assets were conventionally held within the mosque.[43]

The transformation of the Bayt al-Māl institution became prominent during the caliphate of 'Umar ibn al-Khaṭṭāb, a period characterised by significant increases in war booty (*ghanīmah*), *fay'*, and *jizyah* revenue, coinciding with the territorial expansion of the Medinan state. Caliph Umar instituted divisions (*dīwān*) within the Bayt al-Māl, separating state revenues from expenditures. The revenue section, responsible for overseeing the accumulation of state funds, encompassed various departments, including the Divan of Booties and *Kharāj*, the Divan of Public Properties, and the Divan of *Ṣadaqāt*, which administered zakat collection. Conversely, the expenditure section, responsible for the state's financial management, oversaw divisions such as the Divan of *Khilāfah* House, the Divan of Government Administration, the Divan of *Jihād*, the Divan of *Ṣadaqāt* Expenses, the Divan of Grants, the Divan of Emergencies, the Divan of General Accounting, and the Divan of Control.[44]

[42] Maarif, "Baitul Mal Pada Masa Rasulullah Saw Dan Khulafaur Al-Rashidin."
[43] Hsb and Pane, "Bayt Mal and The Real Sector in The View of Islamic."
[44] Zalloom, *Funds in The Khilafah State*, 20, 25.

**Figure.** The Bayt al-Māl Institution During the Caliphate of Umar Ibn al-Khaṭṭab




Source: Zalloom's Book "Fund in The Khilafah State"[45].

Historical studies pertaining to the administration of zakat and taxes within a unified system, specifically the Bayt al-Māl institution, demonstrate that Prophet Muhammad (peace be upon him) and his companions recognised that the governance of a state or caliphate necessitated revenue derived from Muslim and non-Muslim residents of that state in the form of zakat, *ghanīmah*, *fay'*, *`ushr*, *kharaj*, and other sources managed by a centralised state treasury system known as the Bayt al-Māl. In its collection and distribution processes, the Bayt al-Māl avoided overlapping taxation, a consequence of the single management system implemented by the Prophet, his companions, and the *salaf al-ṣāliḥ* (righteous predecessors).

**_Maqāṣid al-Sharī`ah_ of _Mu`āmalah Māliyyah_ (Business Relation of Properties)**

In establishing legal provisions for humanity, Allah establishes the fundamental objectives (*maqāṣid al-sharī'ah*) that underpin each ruling. These objectives are not always immediately apparent within the literal text of a given verse. Consequently, Islamic scholars are tasked with discerning these objectives through the collation and analysis of related verses regarding the subject under investigation, by understanding the timeless, universally applicable, and immutable *maqāṣid al-sharī'ah*.

Jasser Auda conceived of three tiers of *maqāṣid al-sharī`ah*: general, specific, and partial. General *maqāṣid* constitute the overarching objectives of Sharia, derived from the al-Qur'an and hadith, encompassing justice, welfare, and facilitation principles, as well as the five primary needs (*ḍarūriyyat al-khamsah*). Subordinate to this level are specific *maqāsid*, which represent the legislative objectives for major divisions of jurisprudence (*fiqh*), such as *`ibādah*, *siyāsah*, *mu`āmalah*, *al-akhwāl al-shakhṣiyyah*. Finally, partial *maqāṣid* denote the legislative objectives for narrower, more specific sections of fiqh. This categorisation of *maqāṣid* is hierarchical, implying that partial *maqāṣid* must not contradict specific and general *maqāṣid*.

Within Jasser Auda's *maqāṣid al-sharī`ah* approach, zakat and tax regulations are provisions for which the objectives of their legislation must be ascertained as components of partial *maqāṣid*. In determining these objectives, it is necessary to identify the legislative aims of *mu`āmalah māliyyah* as part of specific *maqāṣid* to ensure that the objectives of tax and zakat legislation do not contradict the intended goals of *mu`āmalah māliyyah*. Furthermore, they must not conflict with the general *maqāṣid* of *maqāṣid al-shari`ah*: justice and facilitation.

To examine and ascertain the objectives of *mu`āmalah māliyyah* legislation, the author employs the theory of *maqāṣid al-sharī`ah* as propounded by Imām al-Shāṭibī. He proposes a methodology for discerning the *maqāṣid al-sharī`ah* by examining *al-āyāt al-kulliyāt* (universal verses) to identify universal values that serve as the foundation for zakat and tax provisions. The objectives of sharia (specific *maqāṣid*) concerning business relations with properties (*maqāṣid al-sharī`ah fī mu`āmalah māliyyah*) based on *al-āyāt al-kulliyah,* the universal principles, are given in the following.

First, ultimate ownership of the properties resides with Allah. Numerous verses pertain to the principle affirming that everything on Earth belongs to Allah. "To God belongs all that is in the heavens and all that is on earth. Whether you reveal what is within yourselves or conceal it, God will bring you to account for it. He forgives whom He wills and punishes whom He wills, and God is powerful over all things" (al-Baqarah: 284). The other verses justify this provision, including Āli 'Imrān: 109; Ālī Imrān: 129; al-Nisā: 126; al-Nisā': 13; al-Nisā': 132; al-Nisā': 170; Jonah: 55; al-Nūr: 64; Luqmān: 26, and al-Najm: three that assert the divine ownership of all terrestrial and celestial entities.

Second, Wealth, furthermore, serves as a trial for humanity, as articulated in the verses: "Know that your wealth and your children are but a trial, and that with God is a great reward." (al-Anfāl: 28)" Verily, your wealth and your children are but a trial, and Allah—with Him is a great reward." (al-Taghabūn: 15). These verses underscore the charity notion that an individual's wealth functions as an assessment of their ability to uphold the trust bestowed upon them[46] and their capacity to equitably distribute resources in accordance with the divine precepts ordained by Allah.

Third, Individuals with limited financial resources and those experiencing poverty possess certain entitlements to the collective wealth, as articulated in the following scriptural passage "And in their wealth is a recognised right for the needy and the deprived." (al-Dzāriyāt: 19). This verse and others (al-Anfāl: 41; and al-Ḥashr: 7) elucidate that indigent and impoverished individuals have a legitimate claim to societal resources. Failure to fulfil these obligations constitutes an injustice, representing an unwarranted and unethical appropriation of their duty.

Fourth, The expurgation of accumulated wealth is a requisite, as substantiated in the Qur'anic verse: "Accept alms from their possessions, so that you might cleanse and purify them thereby, and supplicate for them; indeed, your supplications are a source of reassurance for them. And Allah is

[46] Mahmudi et al., "The Charity Values within Islamic Law of Inheritance in Malang."

All-Hearing, All-Knowing." (al-Tawbah: 103). This passage emphasises the importance of wealth purification by distributing a portion to those experiencing financial hardship. Such purgation not only legitimises one's assets but also sanctions their utilisation in accordance with individual volition.

Fifth, Philanthropic conveyance of resources to individuals facing impoverishment constitutes a virtuous act, corroborated by scriptural precedent: "Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives of wealth, in spite of love for it, to relatives, orphans, the needy, the traveler, those who ask, and for freeing slaves; [and who] establishes prayer and gives zakah; [and they are] those who fulfill their promise when they promise and are patient in poverty and hardship and during battle. Those are the ones who have been true, and it is those who are the righteous." (al-Baqarah: 177), "You will never attain righteousness until you donate from what you cherish. And whatever you donate, Allah is All-Knowing of it." (Āli 'Imrān: 92). These verses explain that genuine goodness is when we give our possessions to relatives, orphans, people living in poverty, wanderers, beggars, and enslaved people. Even this deed is better than one facing East and West.

Sixth, Economic equity, as elucidated in the verse: "What Allah has assigned to His Messenger from the people of the towns - it is for Allah and for the Messenger and for [his] near relatives and the orphans, the needy, and the [stranded] traveller - so that it will not be a perpetual distribution among the rich from among you. And whatever the Messenger has given you - take; and what he has forbidden you - refrain from. And fear Allah; indeed, Allah is severe in penalty." (al-Ḥashr: 7)

The verse underscores the principle that equitable wealth distribution constitutes a fundamental tenet of the Islamic economic framework. Consequently, economic endeavours that facilitate the concentration of wealth among select individuals or factions are deemed undesirable within the Islamic paradigm. Instead, the emphasis is placed on achieving economic parity throughout the societal structure.

Based on al-Shāṭibī's perspective, the overarching principle governing property, as delineated in the *al-āyāt al-kulliyah*, should serve as the foundational framework for interpreting *al-āyāt al-juz'iyyah* pertaining to the regulation of zakat and taxation. The governance of zakat, taxes, and related philanthropic endeavours must remain consistent with these universal principles. Additionally, Jasser Auda posits that zakat and tax provisions possess inherent objectives, identified as specific *maqāṣid*. Therefore, the regulation of zakat and taxation should be guided by, and attentive to, the general *maqāṣid* encompassing the principles of justice, compassion, welfare, and wisdom.

The principle of *maqāṣid* emphasises that property holders should allocate a portion of their holdings, which are considered not entirely their own, through mechanisms such as *ṣadaqah, hibbah*, zakat, *waqf*, or taxation. This allocation aims to promote the well-being of individuals living in poverty and maintain economic equity within the broader societal structure. Specific and partial *maqāṣid* governing the implementation of zakat and taxes must remain consistent with the principles articulated in the general *maqāṣid*. Therefore, the administration of zakat should avoid imposing a dual burden on Muslims, as such a provision would contravene the general *maqāṣid* containing the principles of justice, compassion, welfare, and prudence. Similarly, the structuring of zakat and taxes should preclude the conferral of benefits to a single individual through multiple ways, as this could generate inequity or the concentration of wealth within a select group (*kay lā yakūna dūlatan bayna al-aghniyā'*).

## A Systems Theory Approach in the Management of Zakat and Tax

In contemporary management systems, an organisation cannot eschew antiquated, closed systems; rather, it must adopt open systems in its management practices. Historically, systems theory emerged in the 1960s, drawing inspiration from the physical sciences,[47] wherein the relationships between various subsystems are distinctly described and certain. Subsequently, this systems theory was adapted to the rather more abstract

[47] Robbins et al., *Fundamentals of Management*, 25.

realm of organisational theory, thus rendering its application within organisations more pertinent at the macro-structural level.[48] This systems theory in organisations evolved from sociological theory, specifically structural functionalism,[49] which examines the function of social structures in enhancing societal well-being.

This systems theory originates from the concept of equilibrium among various factors that affect an organisation.[50] Management scholars develop and employ systems theory to enhance organisational performance by analysing the diverse elements that impact the organisation.[51] An organisation or institution comprises various interconnected subsystems,[52] requiring an organisational leader to attend to the diverse, integral elements of these subsystems to achieve the established objectives of the system.[53]

In its evolution, systems theory has branched into the fields of complexity theory and chaos theory. This theory is employed to analyse highly complex and nonlinear research objects that exhibit a high degree of probability within the dynamics of social systems, such as economic problems.[54] This is further developed and used to design modern organisations. Consequently, modern organisations must incorporate various subsystems as integral and mutually reinforcing components[55] to ensure the system operates normally and effectively in executing its management system and achieving its desired goals.

In systems theory, the institutions of zakat and taxation are two interrelated subsystems, connected through both the subject and the object, wherein both generate budgetary revenue that should be allocated to the interests and welfare of society, particularly for those in vulnerable economic strata. Within the framework of systems theory, the study of zakat necessitates a detailed, comprehensive, and holistic approach. Similarly, the institution of

[48] Luhmann and Baecker, *Introduction to Systems Theory*, 7.
[49] Luhmann and Baecker, *Introduction to Systems Theory*, 2.
[50] Luhmann and Baecker, *Introduction to Systems Theory*, 26.
[51] Scott, *Organizations*, 92.
[52] Masuch, *Organization, Management and Expert Systems*, 131.
[53] Robbins et al., *Fundamentals of Management*, 25.
[54] Scott, *Organizations*, 93.
[55] Cruise, *Handbook of Organization Theory and Management*, 760.

taxation warrants in-depth analysis, akin to that accorded to zakat.[56] However, since zakat and taxation are subsystems that generate incoming funds to enhance societal welfare, both institutions should be managed within a unified system under the oversight of the Ministry of Finance.

### *Bayt al-Māl*: One-Gate System Management of Zakat and Tax

Drawing from the universal principles articulated in *al-āyāt al-kulliyāt* pertaining to business relations of properties (*mu`āmalah māliyyah*) and the specific provisions explained in *al-āyāt al-juz'iyyāt* regarding the administration of zakat, *ṣadaqāt*, *ghanīmah*, and *fay'*, several guiding principles grounded in *maqāṣid al-sharī'ah* can be concluded. These principles mandate that the management of zakat and taxes must prioritise justice, compassion, welfare, and wisdom. In adherence to these tenets, wealthy individuals are obligated to contribute to the well-being of those in need through zakat and taxation.

Zakat and taxes represent financial assets collected from individuals as charitable contributions and for poverty alleviation. Consequently, the administration of zakat and taxes should be streamlined, encompassing both the collection and disbursement processes. A unified, single-gate system is essential for the effective management of zakat and taxes, fostering efficiency and effective governance. This integration of management is predicated on the recognition that these state funds exhibit fundamental similarities when contextualised within the evolving dynamics of the community. Therefore, to strengthen the unification of zakat and tax management into a single system, several management aspects require a modern interpretation of the regulations, subjects, and objects of zakat to align them with the context of taxation, as detailed below.

*First,* in terms of regulation, the zakat and taxation regulations exhibit a degree of parallelism, insofar as both mandate allocating a portion of one's assets for the betterment of the broader community. However, a fundamental difference exists in the underlying impetus: zakat stems from a devotional act of worship to Allah, whereas taxation demonstrates compliance with governmental decrees. Zakat constitutes a designated proportion of wealth

[56] Tompkins, *Organization Theory and Public Management*, 185.

dispensed by an individual or entity (*muzakki*) possessing assets that have met a requisite minimum threshold (*niṣāb*) and have been held for a complete lunar year (*ḥawl*). This disbursement is intended to benefit society, specifically the designated recipients known as *asnāf al-zakāt*. These beneficiaries are explicitly enumerated in the Quran: "Indeed, Zakat expenditures are only for the poor and for the needy, and for those employed to collect zakat, and for bringing hearts together for Islam, and for freeing captives [or slaves], and for those in debt, and for the cause of Allah, and for the stranded traveler - an obligation imposed by Allah. And Allah is Knowing and Wise" (At-Taubah: 60).

The formal codification of zakat (*ṣadaqāt*) following the establishment of the Medina state reinforces its function in bolstering and solidifying the state's position. Zakat derived from war spoils (*ghanīmah*) and *fay'* constitutes state revenue mandated for distribution to benefit the community. It plays a pivotal role in promoting equitable resource distribution within the economic sphere, as economic disparities within the community can undermine the stability of the state. Zakat, referred to as *ṣadaqāt* in the Qur'an, can be classified into four distinct categories: a) Individuals struggling to meet their basic daily needs, encompassing the *faqīr*, *miskīn*, *ghārimīn*, and those in acute financial distress, b) Individuals contributing services to society or the state, including *`āmilīna `alayha*, *sabīlillāh*, and *ibn sabīl*, c) Individuals with cognitive vulnerabilities, including *mu'allafat qulūbuhum*, and d) Individuals subjected to structural marginalisation and oppression: *al-riqāb*. These four categories of zakat recipients need economic assistance due to their vulnerabilities. These populations are virtually certain to be present in any nation or society.

The concept of economic equality, as established in the zakat verse, is further substantiated by additional verses: "And in their wealth there is a recognised right, for the needy who asks, and the one who is deprived" (Al-Dhariyat: 19). Furthermore, the al-Quran states, "Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase and invoke [Allah's blessings] upon them. Indeed, your invocations are a reassurance for them. And Allah is Hearing and Knowing" (At-Taubah: 103). These verses elucidate that an individual's wealth is not wholly their own until a certain portion is allocated to assist those who solicit aid and those who are in need (*li al-sā'il wa al-maḥrūm*). The act of donating wealth to the impoverished is intended to purify one's assets. The distribution of wealth to those in need, for the purpose of cleansing the property from the entitlements of others, also promotes economic equity, a principle of paramount importance in Islamic teachings, as articulated by Allah: "So that it will not be a perpetual distribution among the rich from among you." (Al-Ḥasyr: 7).

Based on the principle of *maqāṣid al-sharī`ah* derived from universal verses (*al-āyāt al-kulliyah*), it can be inferred that: a) inherent within all property is the right of others; b) property necessitates purification through the allocation of a certain portion for the benefit of others; and c) the accumulation of wealth is discouraged in favour of economic equity. Every Muslim property owner is obligated to uphold this universal principle of wealth management by designating a portion of their assets for contribution to the state, which subsequently distributes these resources for the betterment of the state and society.

The permissibility of asset allocation extends to all property owners. The appropriation of assets encompasses all forms of obligatory and voluntary giving, encompassing not only the fulfilment of zakat and taxes but also *waqf*, *infāq*, and *ṣadaqah*, as all such contributions are intended to benefit the community and the state, promote economic equity, and mitigate financial disparities. Based on the foregoing explanation, it can be inferred that zakat and taxes share analogous *maqāṣid al-sharī'ah* (objectives of Sharia) perspectives. Consequently, regulations governing these domains should be synchronised and unified within a single legal framework. A unified regulation addressing both zakat and taxes concurrently would serve to prevent redundancies in their collection, distribution, subjects, objects, and designated recipients.

The consolidation of zakat and tax regulations into a unified framework represents an operationalisation of the divine dictum, "*kay lā yakūna dūlatan bayn al-aghniyā'*," thereby mitigating redundancy, accumulation, and duplicity in diverse facets of life, encompassing the governance of both zakat and taxes. This regulatory unification serves to obviate undue burdens on zakat and tax subjects, preventing potential inequities. Furthermore, it necessitates eliminating distributional overlap, ensuring the equitable allocation of resources to recipients of zakat and tax revenue. A single individual should not receive assistance from both modalities concurrently.

*Second,* the subject of zakat, based on *maqāṣid al-sharī`ah,* should be expanded from merely the owners of zakat objects formulated by orthodox fiqh scholars, such as money, mining goods, found property (*rikāz*), trade, fruits and plants, livestock, camels, cows, and goats, which constitute the assets that exist when the fiqh scholars formulate them. In determining the assets, Islamic law scholars base their approach on the principle of *maqāṣid al-sharī`ah*, which states that each property must be issued zakat when it has reached one *niṣāb*. However, because the types of assets circulating in the community are relatively limited, zakat is imposed only on the owners of these specific assets.

Within the contemporary landscape, characterised by the swift and multifaceted evolution of property and its diverse modalities, zakat is extended to encompass all forms of wealth and rights that possess inherent material value. Therefore, the heterogeneity of asset ownership, comprising individual persons, corporate entities, partnerships, cooperative structures, and related organisational frameworks, necessitates concomitant evolution in the delineation of zakat subjecthood. The subject of zakat should reflect the dynamic shifts in property ownership and the associated rights that embody monetary value.

*Third,* the object of zakat, based on the *maqāṣid al-sharī`ah*, necessitates a careful examination of the scriptural verses on property ownership. All forms of property held by an individual must be purified by allocating a portion of certain property for the benefit of those in need (*li al-sā'il wa al-maḥrūm*), encompassing those belonging to the eight *aṣnāf* of zakāt recipients. The definition of property extends to both tangible and intangible assets. Furthermore, property may encompass material-value rights, such as intellectual property rights, patents, copyrights, and social media presences on platforms like YouTube, Instagram, and TikTok. In accordance with the provisions of *maqāṣid al-sharī`ah*, these assets, across various categories, must be considered as potential sources for alleviating the economic hardships experienced by individuals within the designated *aṣnāf* of zakāt.

Drawing from the principle of *maqāṣid al-sharī'ah,* the object of zakat follows all assets, whether tangible or intangible, and material-value rights. They should, in essence, provide an allowance to be distributed to those in need. Consequently, the object of zakāt must undergo continuous development, adapting to the evolving landscape of the economy, technology, and globalisation. The purview of zakat necessitates expansion, adapting to the evolving landscape of property types derived from diverse income streams and burgeoning businesses prevalent in globalisation era. Consequently, the traditional limitations of zakat obligations to gold, silver, and livestock in the formulation of fiqh should be extended to encompass all assets and rights.

*Fourth,* the recipients of zakat, as delineated by Islamic legal scholars, are derived from Surah al-Taubah: 60, often termed *aṣnāf al-thamāniyyah*: [57] "Indeed, zakāt is only for the indigent, the impoverished, the *ʿāmil* of zakāt, those whose hearts are to be reconciled (converts), to free the enslaved, to relieve those in debt, for the cause of Allah, and for the traveller (in need of assistance), a duty prescribed by Allah. And Allah is All-Knowing, All-Wise" (At-Taubah [9]:60). Based on this verse, the designated recipients of zakāt encompass the indigent (*fuqarāʾ*), the impoverished (*masākīn*), zakāt administrators (*ʿāmilīn ʿalayhā*), recent converts to Islam (*muʾallaf qulūbuhum*), enslaved individuals (*riqāb*), debtors (*ghārimīn*), those striving in the path of Allah (*fī sabīlillāh*), and travellers in need (*ibn sabīl*). These recipients, designated in the verse as beneficiaries of *ṣadaqāt*, can be highlighted as: a) individuals lacking sufficient assets, b) contributors to the welfare of the state and society, c) those subjected to oppression or systemic marginalisation, and d) individuals with cognitive vulnerabilities (*muʾallaf qulūbuhum*).

In the contemporary context, the categorisation of zakat recipients into four categories can be adapted to current circumstances. According to Masdar Farid Mas`udi, the eight *aṣnāf* outlined in Surah al-Tawbah: 60 can be consolidated into three sectors: a) the weak community empowerment sector, b) the routine expenditure sector, and c) the public service sector.[58] Therefore,

[57] al-Zuḥailiy, *Al-Fiqh al-Islāmiy Wa Adillatuh*, 3:950.
[58] Mas'udi, *Pajak Itu Zakat*, 112.

zakat expenditure must also be allocated to cover routine state expenses, including *'āmilīn* and dedicated to public services, such as those in the path of Allah (*sabīlillāh*). Additionally, its expenditure can be disbursed for empowerment of the vulnerable community and those experiencing economic hurdles, including *fuqarā'*, *masākīn*, *ghārimīn*, and *ibn sabīl*, as well as those facing psychological fragility, such as *mu'allaf qulūbuhum*.

Considering that the legislation of zakat was revealed following the establishment of the Medina state, it can be inferred that the expenditure of zakat supported the State's needs required by the newly formed State of Medina to the betterment of its ummah at that time. The ummah in need consists of eight groups (*al-aṣnāf al-thamāniyyah*), which can be categorised and developed based on four classes in the contemporary context: 1) individuals who lack property (this category includes not only the needy, the poor, and those in debt (*ghārimīn*), but also other persons such as beggars, homeless individuals, the unemployed, and similar groups), 2) individuals who have rendered meritorious services to the community or the state (this group encompasses not only zakat administrators (*`āmilīn*), those who fight in the cause of Allah (*fī sabīlillāh*), and travellers who disseminate Islamic knowledge (*ibn sabīl*), but also state civil servants, military personnel, police officers, village officials, sub-districts, districts, provinces, ministries, members of the House of Representatives at central, provincial, and regional levels, non-governmental organisations, and others who, through their daily work, contribute to the welfare of the state and society), 3) individuals who are oppressed or structurally marginalized (this category of zakat recipients includes not only slaves (*riqāb*) but also rehabilitation and welfare services for residents of nursing homes, orphanages, social safety nets, crisis centers, prisons, and related institutions), and 4) individuals with physical and mental disabilities (this group is not limited to recent converts to Islam (*mu'allaf qulūbuhum*); it includes rehabilitation for persons with disabilities, victims of physical and sexual violence, victims of trafficking, drug abuse, ideological extremism, mental illness, and others).

The development of zakat recipients' groups must be undertaken by Muslim countries, such as Indonesia and Malaysia. The categories of zakat recipients, limited to the traditional eight groups (*al-aṣnāf al-thamāniyyah*) as formulated by Islamic jurists, were established within the specific contexts and temporal circumstances in which these jurists lived, as articulated in the fiqh maxim "*taghayyur al-fatwā bi taghayyur al-azminah wa al-amkinah wa al-aḥwāl wa al-A`rāf*".[59] This maxim provides a guiding framework for fiqh scholars, asserting that legal rulings cannot transcend the era in which they were formulated and must be viewed as responses to the prevailing social, cultural, and economic conditions of that time. Consequently, the fiqh formulation regarding zakat recipients must be understood in its context and the period in which it originated. When determining zakat recipients in the present context, particularly in Indonesia and Malaysia, the formulation must be adapted to reflect the social, cultural, and economic realities of these two societies. This legal maxim offers a foundational paradigm for Islamic legal scholars, stipulating that the temporal context of their articulation inherently binds juridical pronouncements and must be recognised as responses to the existing social, cultural, and economic milieu.

*Fifth,* the management of zakat should be unified with that of tax, as zakat functioned as Medina's state revenue, coexisting with *fay'*, *khums*, *'ushr*, and *kharāj*. Throughout the tenures of the Prophet Muhammad and his contemporaries, these revenue streams were overseen by the Bayt al-Māl institution.[60] This integrated management of zakat and taxes eliminated administrative redundancies and mitigated the dual burden of paying zakat and tax on individuals. Duplication in distribution was averted, thereby preventing a single recipient from receiving funds from both zakat and taxes simultaneously.

Within the contemporary framework, the Malaysian government has stipulated that zakat contributions remitted by the Muslim populace are creditable against tax obligations.[61] This policy fosters equity among Muslim citizens by precluding the concurrent imposition of both zakat and taxation. Conversely, the Indonesian government mandates a dual fiscal burden on the Muslim citizenry, requiring the simultaneous fulfillment of both tax and zakat

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[59] Sadlān, *Wujūb Taṭbīq Al-Sharī`ah al-Islāmiyyah Fī Kulli al-`Aṣr*, 137.
[60] Ahmad and al-Rifa'i, "The Policy of Working on the Balance of the Budget of the Treasury in The Arab Islamic State."
[61] Laws of Malaysia, Income Tax Act 1967.

liabilities, since zakat payments merely reduce the taxable property base.[62] Nevertheless, the practical effect of this reduction is negligible, thereby causing considerable difficulties. Consequently, the public frequently demonstrates reluctance to claim deductions for zakat contributions against taxable property.

The presence of discrete, autonomous zakat and tax management agencies in Indonesia and Malaysia exemplifies the inefficiency inherent in managing these dual sources of state revenue. The administrative segregation of zakat and taxation creates a lack of coordination between these institutions, potentially leading to operational redundancy or overlap across both the collection of taxes and zakat and their corresponding distribution procedures.

To harmonise zakat and tax administration, Indonesia and Malaysia ought to consider following the method of the Bayt al-Māl institution that prevailed during the Prophet's time and under the subsequent caliphates. The Bayt al-Māl served as the State Treasury, meticulously documenting all government revenues, encompassing zakat (*ṣadaqāt*), *fay'*, *khumūs*, *jizyah*, *kharāj*, and *'ushr*. Furthermore, this institution not only collected state revenue but also disbursed funds to individuals eligible for state-provided financial aid through the Bayt al-Māl.[63] Indonesia and Malaysia are encouraged to adopt the Bayt al-Māl model as implemented by Caliph Umar ibn al-Khaṭṭāb.[64]

The integration and unification of the tax and zakat management institutions aimed to prevent overlap and double accounting, ensuring that "there shall be no state among the wealthy" (*kay lā yakūna dūlatan bayn al-aghniyā'*) in both collection and distribution. It would constitute tyranny if the state imposed dual burdens on the Muslim community to pay both taxes and zakat simultaneously. Furthermore, it is unjust to allocate zakat and tax revenues to specific individuals while excluding others who are entitled to assistance. The management of state revenue budgets should be consolidated into a single gateway system under the ministries of finance in Indonesia and Malaysia, with two divisions: the tax division and the zakat division. This institutional unification would effectively prevent duplication in the collection

62 Undang-Undang Nomor 7 Tahun 2021 Tentang Harmonisasi Peraturan Perpajakan.
63 Zalloom, *Funds in The Khilafah State*.
64 Zalloom, *Funds in The Khilafah State*, 20–25.

and distribution processes, particularly given the advanced internet technology available in the contemporary era.

**Conclusion**

Zakat and taxes are forms of philanthropy disbursed by communities and citizens to foster empathy for less fortunate individuals. The subjects of zakat and taxes, as well as their recipients, share similar characteristics and even sameness. A Muslim individual or a Muslim-owned business entity possessing wealth is obligated to pay taxes; likewise, they are obligated to pay zakat once their wealth reaches the *niṣāb* and *ḥawl* thresholds. Impoverished and needy individuals within a nation are entitled to receive assistance aimed at improving their welfare, encompassing both primary needs and advancements in education, economics, social well-being, and security, funded by government allocations derived from zakat and tax revenues collected from the populace.

Given the overlap and similarities between zakat and taxes in terms of their subjects, objects, recipients, and the objective of enhancing societal welfare, systems theory suggests that their management should be unified. This is due to their strong interconnectedness in promoting the effectiveness of collection and distribution, as well as preventing overlapping in the collection and distribution of taxes and zakat, which results from inadequate coordination under separate management. Such unification aligns with the systems approach offered by Jasser Auda in his book, *maqāsid al-sharī`ah as a Philosophy of Islamic Law: A System Approach*. The management of zakat and taxes, as state revenues, should be unified within a one-gate management system under the Ministry of Finance to manage and allocate state funds obtained from the public, to enhance the performance of modern organisations that emphasise efficacy in the management of zakat and tax, as exemplified by the Prophet Muhammad, his companions, and the *salaf al-ṣāliḥ*.

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