

ANALYZING THE INTEGRATION OF ZAKAT AND TAX TO ENHANCE COMPLIANCE AMONG MUSLIM TAXPAYERS

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Abstract

Tax and zakat are financial obligations for the Indonesian people. This condition creates a double financial burden. To address this issue, Law No. 7 of 2021 on the Harmonization of Tax Regulations (UU HPP) contains one of the policies regarding zakat which can be used as a deduction in calculating taxable income. This study aims to analyze the effectiveness of this policy through the perspective of Muslim taxpayers and Islamic economics. A qualitative approach was used, combining data from questionnaires, interviews, and a review of relevant literature. The research analyzed the regulatory framework and public perception. Findings reveal that this policy has not been optimally utilized. This happens due to the lack of knowledge and information about this policy. Limited tax literacy, insufficient outreach from relevant institutions, and a lack of procedural understanding are key factors contributing to this issue. This study offers novelty by not only exploring fiscal policy from a conceptual perspective, but also specifically examines its implementation and links it to the perceptions of Indonesian Muslim taxpayers. It also highlights the integration of zakat fiqh and fiscal policy which are included in one comprehensive study. This study also provides practical recommendations to strengthen the synergy between zakat management institutions and the Directorate General of Taxes (DGT) through digitalization of both integrated reporting systems and providing education to the taxpayers. The results are expected to enhance economic justice distribution while improving tax compliance in Indonesia.

keywords: directorate general of taxes, islamic economics, fiscal policy, taxpayer compliance, zakat.

INTRODUCTION

Tax and zakat are two financial obligations that originate from different systems. Taxes originate from state authorities, while zakat is derived from Islamic teachings. However, both obligations have the same socio-economic function. In the Islamic economic system, zakat acts as a wealth distributor and has an impact on reducing poverty. While taxes are used to fund the public services. The demographic characteristics of Indonesia, which is predominantly Muslim, make people feel financial pressure because they are required to pay zakat and taxes at the same time. This is considered burdensome and will give rise to many negative impacts. Regulations regarding zakat as a fiscal incentive are needed in this problem. It is hoped that if the principles of Islamic justice and state fiscal are in harmony, then people will be more obedient both spiritually and economically.

The Directorate General of Taxes (DGT) has accommodated this policy in Law No. 7 of 2021 concerning Harmonization of Tax Regulations (UU HPP). In this policy, zakat paid to officially registered institutions will be able to reduce taxable income. As a result, the tax paid will be less. Based on the explanation above, the researcher is interested in discussing the integration of zakat and tax in supporting the compliance of Muslim taxpayers.

This research is not new. Previously, there has been research that also discussed this matter. This research has novelty compared to previous studies. In addition to different research objects, this research also uses a contextual approach that not only discusses theory but also implementation for Taxpayers. This research also focuses on the latest DGT policy, namely Law No. 7 of 2021 on Harmonization of Tax Regulations (UU HPP) and contains practical recommendations for related institutions using digitalization.

In this research, the author wants to answer the following problems:

1. How is the implementation of the DGT policy on zakat as a reduction in taxable income?
2. How do Muslim taxpayers perceive this policy?
3. Does the policy play a role in increasing taxpayer compliance and economic resilience?

The purpose of writing this research is to analyze the implementation of the Directorate General of Taxes policy regarding zakat as a reduction in Income Tax, examine the perception of the Muslim community regarding this policy, and assess the extent to which this policy plays a role in encouraging taxpayer compliance and strengthening economic resilience.

With this research, it is expected to add to the literature in the field of taxation and Islamic economics. In addition, this study also aims to increase the understanding of Muslims regarding the importance of collaboration between zakat and taxes. In the end, it can also provide valuable input to institutions related to this policy.

Zakat is an obligation for Muslims that must be fulfilled if certain conditions are met. According to Aji Prasetyo (2024), zakat is an activity that is required by Allah ﷻ to provide a certain amount of wealth with a certain amount and calculation to be given to parties who are entitled to receive zakat. Zakat is not an option that can be chosen to be implemented or not but rather an obligation that must be carried out in accordance with the provisions.

Tax is a contribution from the community to the state which is enforced according to general regulations (Laws) used for government administration and does not receive direct performance rewards (Nur Rianto, 2020). In Islam, scholars have different opinions regarding taxes. There are scholars who forbid taxes, but most scholars consider taxes to be halal.

The recognition of zakat as a deduction from taxable income is regulated in Law No. 7 of 2021 on Harmonization of Tax Regulations (HPP Law), which continues similar provisions in Law No. 36 of 2008. As the Regulation of the Minister of Finance Number 254/PMK.03/2010 , zakat can be reported on the Annual Income Tax Return (SPT) as a deduction from gross income if the zakat is paid to a zakat collection institution authorized by the government by attaching valid evidence.

In the Regulation of the Director General of Taxes Number PER-04/PJ/2022, there are 3 National Zakat Institutions (BAZNAS), 31 National Zakat Institutions (LAZ), 2 Zakat, Infaq, and Shadaqah Institutions (LAZIS), 27 Provincial Zakat Institutions, and 178 Regency/City Zakat Institutions appointed as Institutions/Institutions authorized by the Government as recipients of zakat that can be deducted from gross income.

Furthermore, as an implementing regulation, Regulation of the Director General of Taxes Number PER-06/PJ/2011 conveys details regarding valid evidence in the form of a photocopy of proof of zakat payment that must be included if the Taxpayer wishes to reduce zakat on taxable income. The evidence must contain points in the form of the Taxpayer's identity, nominal payment, date of payment, name of the official zakat collection institution, signature of the zakat collection officer if making direct payments, and validation by a bank officer if making payments through a bank.

RESEARCH METHODS

This study uses a descriptive qualitative approach which main focus is to understand how is the implementation of zakat policy as a taxable income reduction, as well as how Muslim taxpayers perceive the policy. This approach was chosen because the researcher wanted to dig up in-depth information about the reasons, views, and experiences of the people directly involved.

In terms of data collection, researchers use three main methods. The first is a literature study, namely by reviewing various written sources such as laws and regulations, academic journals, official reports from DGT and BAZNAS, and other relevant references to understand the theoretical and contextual framework of this policy.

Second, researchers distributed questionnaires to a number of Muslim taxpayers. This questionnaire was designed to determine their level of understanding, awareness, and response to the zakat policy as a tax deduction. The goal is to see how the public perceives this policy.

Third, researchers also conducted direct interviews with several parties who were considered relevant and had related experiences, including DGT employee, BAZNAS employee, and business actor. These interviews aimed to gain a deeper perspective on field practices, challenges faced, and their opinions on the integration of zakat and tax in the context of taxpayer compliance.

After the data was collected, the researcher conducted a descriptive qualitative analysis. The data was analyzed by explaining, comparing, and interpreting the existing findings to find patterns, tendencies, and conclusions that can be scientifically justified.

RESULT AND DISCUSSION

This study involved 30 respondents with diverse backgrounds, both in terms of age, gender, and type of occupation. This diversity is expected to provide a broader picture of how Muslim Taxpayers perceive zakat policy as a form of fiscal incentive.

In terms of age, 60% of respondents are dominated by the age range of 26 to 35 years. Furthermore, 23.3% are in the age range of 17-25 years, 13.3% are between 36-45 years, and only 3.3% are over 45 years.

This composition shows that most respondents are in productive age, who generally have worked and have experience as taxpayers.

In terms of gender, the majority of respondents were female which was 76.7%, while males were 23.3%. Meanwhile. In terms of occupation, respondents who worked as Civil Servants dominated with a percentage of 56.7%. Followed by private employees 13.3%, honorary employees 10%, and the rest came from entrepreneurs, students, housewives, and retirees, each ranging from 3.3% to 6.7%.

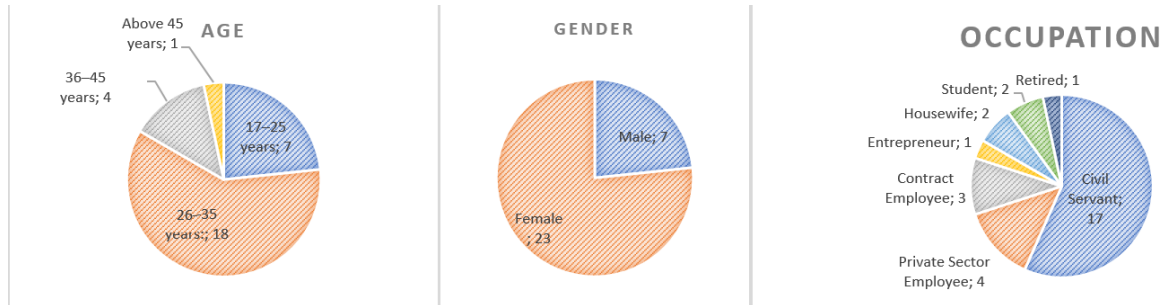


Figure 1
Distributions of Repondents by Age, Gender and Occupation

Based on the questionnaire data which has been distributed, in response to the question " *Do you know that zakat can be a tax deduction ?* ", 53.3% respondents answered 'Yes', while 46.7% answered 'No'.

KNOWLEDGE OF ZAKAT AS A FISCAL INCENTIVE

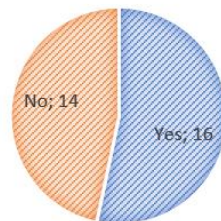


Figure 2
Graph of Zakat Knowledge as a Tax Incentive

This figure shows that more than half of the respondents already have knowledge that zakat can be a fiscal incentive. The slight difference with the answer 'No' shows that public knowledge is still uneven and there are people who still do not know the policy. Such conditions may hinder the effective utilization of zakat-based incentives in promoting greater tax compliance among Muslim taxpayers.

The lack of socialization from the Directorate General of Taxes (DGT) or zakat institutions can result in low understanding of this provision. Therefore, collaborative education from DGT, BAZNAS, and other Zakat Institutions is very important to improve fiscal literacy based on religious values.

In response to the question "*In your opinion, is this policy (zakat as a tax deduction) fair and in accordance with sharia principles?*", 7 respondents gave the response Strongly Agree, 8 selected Agree, 13 chose Neutral, and 2 respondents responded Disagree. The questionnaire results indicate 50% respondents (15 person) agreed or strongly agreed with this policy, while 13 people (43.3%) were neutral, and 2 people (6.7%) disagreed with the policy.

PERCEPTIONS OF FAIRNESS AND COMPLIANCE OF THE POLICY WITH SHARIA PRINCIPLES

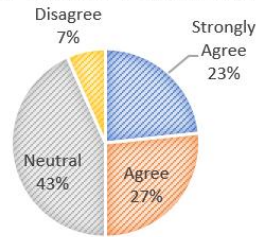


Figure 3

Graph of Perceptions of Fairness and Compliance of The Policy with Sharia Principles

Although the majority of respondents agreed about the fairness and suitability of this policy with sharia principles, the number of neutral respondents was quite high (43.3%). It indicates that muslim taxpayers still doubt about the policy's alignment with sharia principles.

This condition can be caused by a lack of respondents' understanding of the regulations and the fiqh basis of the policy. In addition, the perception of some people who do not yet see the relationship between zakat and taxes as something that can be integrated.

In this case, education based on religion and positive law is very necessary. Socialization is not only carried out by fiscal authorities, but also religious figures and zakat institutions. This aims to increase public perception of the justice and sharia compliance of this policy.

In response to the question "Have you ever reported the zakat you paid in your Annual Tax Return?", 25 respondents (83.3%) chose 'No', while the remaining 5 respondents (16.7%) chose 'Yes'. This data proves that the level of zakat reporting in the Annual Tax Return (SPT) by Muslim taxpayers is very low. Although most respondents stated that they were aware of the zakat policy as a taxable income deduction (see previous results), implementation in tax reporting has not been widely carried out.

Furthermore, in the open question "What is your reason for not reporting zakat in your SPT?", 25 respondents who previously answered "no" gave the feedback. Nine respondents (36%) cited a lack of awareness that zakat can serve as a tax deduction as their reason, Eight respondents (32%) stated that they did not know the procedure, and 8 respondents (32%) distributed zakat to the institutions that are not officially registered.

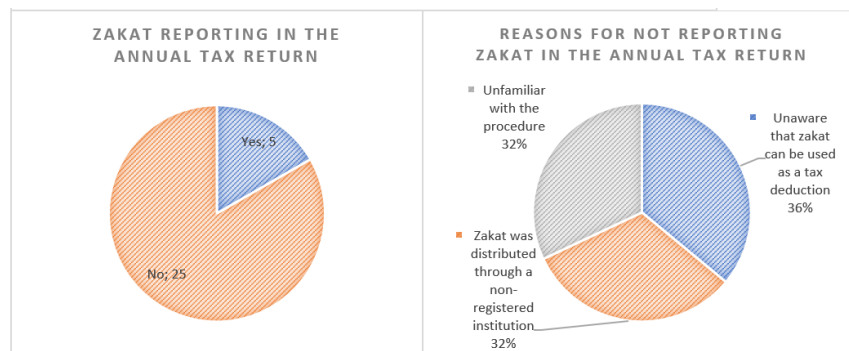


Figure 4

Graph of Zakat Reporting on Annual Tax Return

These results reveal that the low reporting of zakat in the SPT is mainly caused by the factor of acknowledge, both regarding zakat as a tax deduction (36%) and the reporting procedure (32%). Furthermore, another 32% of respondents said that they distributed zakat to institutions that were not officially registered, which made the zakat ineligible for tax deductions according to the provisions of the Laws and Regulations.

This finding reinforces the urgency of implementing technical education for Muslim taxpayers on the procedure for reporting zakat in the SPT as well as socialization on the importance of channeling zakat to the Zakat Amil Institution authorized by the Government so that it can be used as a fiscal incentive. In addition, zakat institutions must also be actively involved in helping to facilitate the taxpayers in distributing their religious obligations and providing valid proof of payment according to the provisions.

In the question “To what extent do you agree that zakat can be an incentive to improve tax compliance?”, respondents were asked to respond on a scale of 1–5. 1 means strongly disagree to 5 means strongly agree. The result was that 4 respondents chose a score of 1 (Strongly Disagree), 1 respondent chose a score of 2, 10 respondents chose a score of 3 (Neutral), a score of 4 (Agree) was chosen by 7 respondents, and a score of 5 (Strongly Agree) was chosen by 8 respondents.

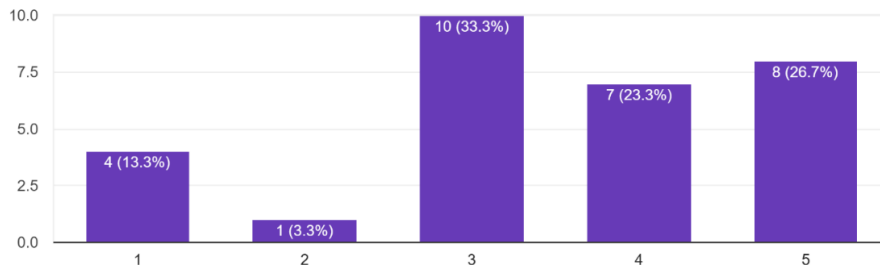


Figure 5
Graph of Taxpayer Perceptions of Zakat as a Fiscal Incentive

The data shows that the majority of respondents (83.3%) gave a score of 3 and above, even 50% of respondents agreed and strongly agreed. This means that most Muslim taxpayers have a positive perception that zakat as a fiscal incentive has the potential to increase tax compliance. In other words, the integration of zakat into the tax system is sociologically and theologically acceptable to the Muslim community.

Other data that should be highlighted is the high proportion of neutral choices by respondents (37%) indicating that some taxpayers still doubt that zakat can encourage tax compliance. This assumption may arise due to a lack of understanding of technical implementation or the perception that zakat and tax are two obligations that have different principles. Thus, in order for zakat to truly become an effective fiscal incentive and not just an administrative discourse, it is necessary to strengthen public education regarding the clarity of regulations and reporting mechanisms.

Furthermore, based on open-ended questions regarding suggestions to the government for more effective zakat policies as fiscal incentives, most respondents suggested the importance of more comprehensive and sustainable socialization and education to the community. They felt that information related to zakat as a tax deduction was still not widely disseminated, both in terms of benefits and reporting procedures.

Some respondents also suggested that the zakat reporting procedure should be made simpler and more accessible, and that the system and services should be improved. In addition, some other respondents reminded to channel zakat through government-approved institutions so that it can be recognized as a fiscal incentive.

Another suggestion given by respondents is to continue to improve the transparency of zakat distribution so that the community can trust their zakat through official Zakat Institutions. On the other hand, there is criticism of the structure of fiscal incentives and tax burdens that are still considered burdensome and the public perception that considers zakat and taxes as obligations with different bases and cannot be integrated.

RESPONDENTS' SUGGESTIONS REGARDING THE POLICY OF
ZAKAT AS A TAX INCENTIVE

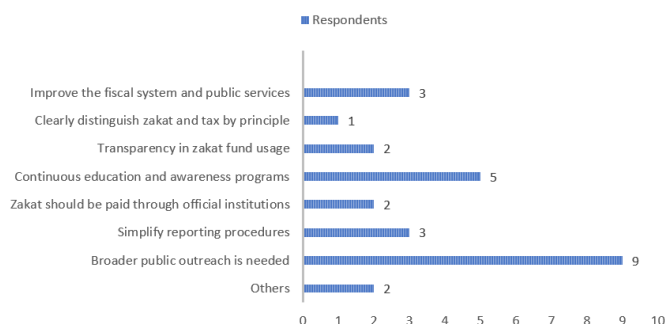


Figure 6
Graph of Respondent's Suggestions Regarding The Policy of Zakat as a Tax Incentive

The results of the analysis of suggestions revealed that socialization is still a major challenge in the effectiveness of zakat policy as a fiscal incentive. This is in line with previous results showing low zakat reporting in the SPT. In addition, there are technical obstacles that need to be overcome namely administrative difficulties and lack of public understanding of official zakat institutions. Therefore, The government, in this

case the Directorate General of Taxes, needs to actively cooperate with zakat institutions, clarify regulations, and provide easier and technology-based reporting facilities.

In addition to using a questionnaire, this study was also conducted using an interview method involving 3 people from various work backgrounds in order to obtain a deeper picture of the zakat policy as a tax deduction. From the interview results, one of the respondents stated that the zakat policy as a tax deduction has a positive impact on business actors. *"I just found out that zakat can be used in calculating taxable income. This will certainly ease my burden as a businessman because my tax burden can be reduced."* (Respondent 1, food UMKM entrepreneur).

This statement shows that information about zakat incentives among business actors is still uneven. In fact, if this policy is implemented, it can provide real benefits for the sustainability of the Community's business. Respondent 1's statement strengthens the findings of the previous questionnaire, where 46.7% of respondents did not know that zakat can be a taxable income deduction.

The next statement discusses an important issue related to the implementation of the zakat policy as a taxable income deduction, namely taxpayers' doubts in reporting SPTs that include zakat in them. *"This policy has been well socialized. However, some taxpayers, especially employees, are afraid that if zakat is included in the SPT report, it will cause the SPT to be overpaid. They are worried that the next process will be more complicated than reporting a Nil SPT."* (Respondent 2, tax employee).

This statement shows that it is not only knowledge that is a challenge in implementing this policy. Taxpayer perceptions of the administrative consequences of zakat reporting are also a real obstacle in optimizing zakat incentives in the field. Employees whose income has been deducted through the PPh 21 mechanism are reluctant to report zakat in their SPT due to their concerns that the SPT will be overpaid, triggering a restitution process that they consider complicated and time-consuming.

Therefore, the socialization provided must also include the consequences if the reporting becomes Overpaid. DGT can convey a simple simulation of how zakat affects SPT.

Respondents from BAZNAS explained that their institution has carried out its role in supporting zakat policy as a tax incentive by issuing proof of zakat payment in accordance with tax provisions and providing education to muzakki that proof of payment can be used in reporting annual SPT.

However, obstacles arise for taxpayers. Respondents said: *"BAZNAS has implemented this policy by issuing proof of zakat payment in accordance with the provisions and also informing that the zakat paid can be a tax deduction. There are muzakki who said that the proof is sometimes lost or forgotten where to store it and are reluctant to take care of it again. As a result, they cannot use zakat as a deduction in the SPT."* (Respondent 3, BAZNAS employee)

This statement underlines the importance of documentation systems and data integration between zakat institutions and the Directorate General of Taxes (DGT). Proof of zakat payments can be integrated digitally and automatically into the tax reporting system, so that taxpayers no longer need to store or attach documents manually.

Based on the 2023 BAZNAS Report, it was recorded that the number of muzaki who distributed zakat through BAZNAS and LAZ reached more than 34.7 million people. This number shows that the awareness of Muslims towards the obligation of zakat is increasing from year to year. On the other hand, according to the Report of the Directorate General of Taxes (DGT), the level of compliance in reporting the Annual Tax Returns of Individual Taxpayers in the same year was only around 88.6% of the total active registered WP, which was 15.5 million people.

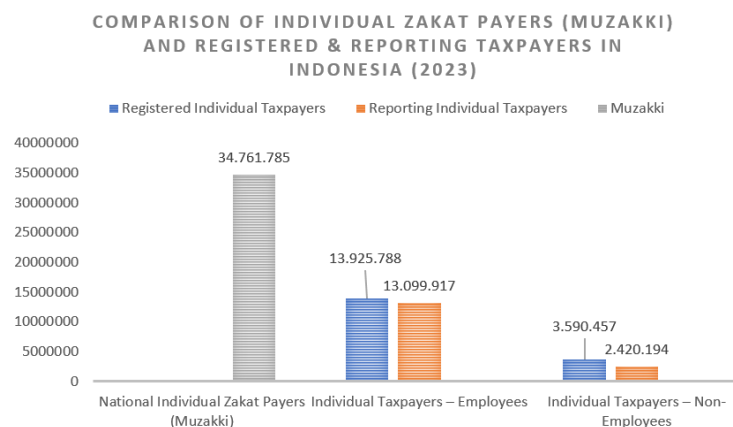


Figure 8

Comparison Chart of the Number of Muzakki and Registered & Reporting Taxpayers (2003)

From these two data, there appears to be a gap between the number of muzakki and Taxpayers reporting SPT which shows the potential for less than optimal integration of zakat and tax data. The large number of muzakki who pay zakat shows that the Muslim community is financially committed to religious obligations. However, the reality in the field is that only a small portion of them report the zakat in the Annual Tax Return (SPT) as a deduction from gross income.

The gap between the number of Taxpayers Obligated to Pay Tax Returns and Taxpayers Reporting Tax Returns in the Tax Returns shows that zakat incentives as a fiscal policy have not been well socialized. In fact, voluntary tax compliance is very possible if the community understands that the zakat policy as a tax incentive can provide benefits and ease their tax burden. Therefore, zakat not only has spiritual and social functions, but also has the potential to strengthen public awareness and compliance in carrying out tax obligations at the national level.

CONCLUSION AND SUGGESTION

Based on questionnaire data from 30 respondents and several interview results, it can be concluded that understanding of fiscal regulations related to zakat is still low. Although there are respondents who have known and understood these provisions, some others are still confused, either due to lack of information or considering the reporting procedure complicated. As a result, the majority of Taxpayers have not reported zakat in their Annual Tax Returns, even though the incentive basically provides dual benefits, namely in terms of fiscal relief and fulfillment of religious obligations.

Interviews with various parties confirmed that the lack of socialization, weak system integration and coordination between institutions, and impractical procedures are the main problems that hinder the implementation of this policy. Not only that, technical challenges in the form of lost evidence of zakat payments and unofficial zakat distribution institutions also contribute to obstacles in optimizing the policy.

The Directorate General of Taxes and official zakat collection institutions such as BAZNAS need to increase educational and socialization efforts related to the integration of zakat into the taxation system. The approach used should be informative, persuasive, applicable and based on an understanding of the spiritual values embraced by the Muslim community. The reporting system and subsequent procedures need to be simplified and easily accessible.

At the same time, concrete steps towards digitalization and system integration between DGT and BAZNAS are urgently needed. The development of an integrated data-based system can facilitate tracking, verification, and recognition of zakat in the SPT, while reducing the potential for data duplication or manipulation. So that Taxpayers who pay zakat through official institutions can automatically obtain recognition in the taxation system without having to manually include physical evidence. This innovation will also encourage professionalism in zakat management and increase public trust.

Further research is suggested to involve respondents from various regional backgrounds, income levels, and more diverse religious preferences. With a more comprehensive approach, it is hoped that the integration of zakat and tax will not only be administratively effective, but also accepted by the Muslim community in Indonesia.

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