

CHAPTER 1 INTRODUCTION

1.1 Research Background

The development of the times is very influential on human life, such as the development of science and technology, changes in economic conditions, and other matters related to the socio-economic activities of the community. This also affects religious activities in the socio-economic field, such as zakat. Zakat is an act of worship performed by Muslims to purify their property and soul (Rofiq & Prabowo, 2019; Tuasikal, 2020). The development of the times that allows changes in economic conditions that result in the emergence of new economic activities and new professions certainly affects the provisions on zakat. Zakat was first practiced in 632 AD, at that time the economic condition was not as developed as it is today, because it focused on trade, agriculture, and animal husbandry. The development in economic activities or the emergence of new profession currently has motivated Islamic scholar such as Yusuf Qaradhawi to introduce a contemporary approach in understanding zakat. As a result, we now heard what so called as zakat on income and zakat on shares for instance. These types of zakat were not known in the classic approach of understanding zakat.

The contemporary approach in understanding zakat has a connection to the dualism of the meaning of zakat. First zakat can be interpreted as worship (*ibadah mahdhah*) because zakat is one of the five pillars of Islam. Worship is aimed at Allah, and rules related to worship cannot be changed or developed, therefore Islamic scholars who argue that

zakat is worship do not recognize the existence of a new type of zakat. According to them, the explanation of zakat and its distribution in the Qur'an is clear and there is no need for a new term, as for the economic changes, it can be adjusted to the existing zakat rules, without having to create a new zakat term (Man, 2016).

Second meaning of zakat fall into the domain of muamalat which means that zakat is a form of social safety net in Islam. Zakat payers (muzakki) concern for zakat receivers (mustahiq) reduces inequality and poverty in the society. The verse of the Qur'an that explains zakat, actually does not limit the existence of new types of zakat and therefore the rules regarding zakat can develop following changing economic conditions (Aziz, 2018).

Zakat is divided into two types, namely zakat al-Fitr and zakat al-Mal or zakat on wealth. Zakat al-Fitr is a type of zakat that was first introduced and implemented by Muslims, namely in 2 Hijri. The implementation of the zakat al-Fitr is carried out every month of Ramadan, which aims to clean things that are useless and dirty for Muslims who are fasting. It is to provide food and a sense of happiness to Muslims who are in need, so that all Muslims can feel happy and full on Eid al-Fitr (A. S. Ismail et al., 2018). The explanation of the zakat al-Fitr in the Qur'an and Hadith is very clear so that no changes or new terms appear.

The second type of zakat is zakat al-Mal. Zakat al-Mal is zakat that is obligatory for Muslims individually on their wealth if it has reached or exceeded the nishab (wealth limit that has been determined according to

the type of wealth owned) (Hussaini, 2005). Zakat al-Mal is divided into 5 types, namely capital assets (gold, silver, money, and similar things), agricultural goods, mining goods, livestock, and goods-in-trade. The verses of the Qur'an and hadiths that explain zakat al-Mal have a general meaning regarding wealth that is subject to zakat, which can allow the development of types of zakat al-Mal (Trigiyanto, 2016). Along with the development of economic conditions and the emergence of various sources of wealth, several new terms appear on zakat al-Mal.

One of the new terms of zakat al-Mal that is quite well known is zakat on income. Zakat on income is zakat imposed on each person's income from his business or profession. Zakat on income or also known as zakat profession is a term that emerged in 1969 AD which was introduced by Yusuf Qaradhawi through his book entitled *Fiqh Az Zakat* (Riyadi, 2015). Qaradhawi (1999) argues that everyone who has income from the business or work he is obliged to pay zakat as well as farmers who pay agricultural zakat when harvesting. This is based on the aspect of justice in determining who is entitled to pay zakat.

This certainly raises debate among Islamic scholars, because of the application of zakat on income was not carried out during the time of the Prophet Muhammad and the Caliphate. There is no detailed explanation of zakat on income in the Qur'an and Hadith. However, Qaradhawi (1999) argues that in modern Fiqh zakat is not classified as worship but as part of socio-economic Fiqh or muamalat, so the laws related to the application of zakat on income can be determined based on Qiyas and proportional

justice. Qiyas in this case is done by analogizing zakat on income as gold/silver zakat or agricultural zakat. Proportional justice means that someone who has income who is obliged to pay zakat on income is a person who has fulfilled the requirements as muzakki, not just a desire to pay zakat on income (Tuli & Kau, 2018).

Yusuf Qaradhawi's explanation of zakat on income continues to cause debate among Islamic scholars. The debate is from the law of the application of zakat on income to how the application of zakat on income. Islamic scholar who argue that zakat is worship, do not recognize the opinion of Yusuf Qaradhawi, so according to them, there is no term zakat on income. While some other Islamic scholars agree with Yusuf Qaradhawi, they recognize the existence of zakat on income. They face a debate regarding the application of zakat on income, because there is no detailed explanation from the Qur'an and hadith. Yusuf Qaradhawi's explanation is not sufficient, because there is no clear and ambiguous basis in determining how zakat on income is applied in society, such as nishab, haul, and procedures for calculating it (Bimasakti, 2018).

Based on the opinion of Qaradhawi (1999), the nishab of professional zakat can be equated with the nishab of gold/silver zakat or agricultural zakat. The use of the nishab depends on the type of work done to earn income. First, for jobs that involve skill or income that is not routinely received, such as lawyers, accountants, architects, and others, the nishab of agricultural zakat can be used. This is also following the opinion of Muhammad Ghazali as cited in Qaradhawi (1999). However, Amin

Rais (1999) as cited in Marimin and Fitria (2015) has another opinion, according to him the use of agricultural zakat nishab is not appropriate, because usually the income from this work is greater than the amount that farmers get at harvest, so it is more appropriate to use the nishab of zakat on findings treasure (*rikaz*). Second, for jobs in government or the like that receives a regular income, such as teachers and civil servants, use the gold/silver zakat nishab. In this case, the calculation of nishab is calculated after the income received is reduced by debt or daily expenses (Marimin & Fitria, 2015).

The debate about the application of zakat on income certainly affects its implementation in Islamic society. Muslims will choose the opinion of Islamic scholars who according to them are more in line with their opinion. This also affects the management of zakat and the number of zakat funds received. It can be avoided if the state regulates policies regarding the management of zakat on income, by applying good standards based on the Qur'an and hadith as well as the opinions of relevant Islamic scholars, as applied in Saudi Arabia, Sudan, Pakistan, Jordan, and Kuwait (Faisal, 2011). The government in those countries issued a law that regulates the management of zakat and the institutions that manage it. The institution has the authority to manage and collect zakat from the assets of Muslims who have met the criteria. Obviously with these regulations, there is no difference in the application of zakat on income in Islamic society.

It is different with countries that do not have binding regulations regarding the implementation of zakat and zakat institutions that manage it as a whole, such as Indonesia. Indonesia is the largest Muslim country in the world, so it has a large potential for zakat funds and needs good management. In Indonesia zakat is managed by several institutions, both official and unofficial. Although the government has established a national zakat institution called *Badan Amil Zakat Nasional* (BAZNAS), this does not rule out the existence of other institutions that manage zakat. The government issued a list of names of institutions that are officially recognized to manage zakat. This is regulated in the Regulation of the Director-General of Taxes, Number Per-08/PJ/2021 concerning Entities/Institutions Established or Legalized by the Government Designated as Recipients of Zakat or Religious Contributions of a Compulsory Nature That Can Be Deducted From Gross Income, based on this regulation there are 33 institutions recognized by the government to manage zakat nationally and are obliged to report zakat management to the government, which is represented by BAZNAS.

The Indonesian government also issued a law on zakat management, namely in Law No. 23 Year 2011 on zakat management. The law contains a general explanation about zakat, parties related to zakat management such as BAZNAS and LAZ, management of collection, distribution, utilization and reporting of zakat funds, as well as sanctions and penalties for those who misuse zakat funds or acts that not in accordance with applicable laws and norms. Technical explanations

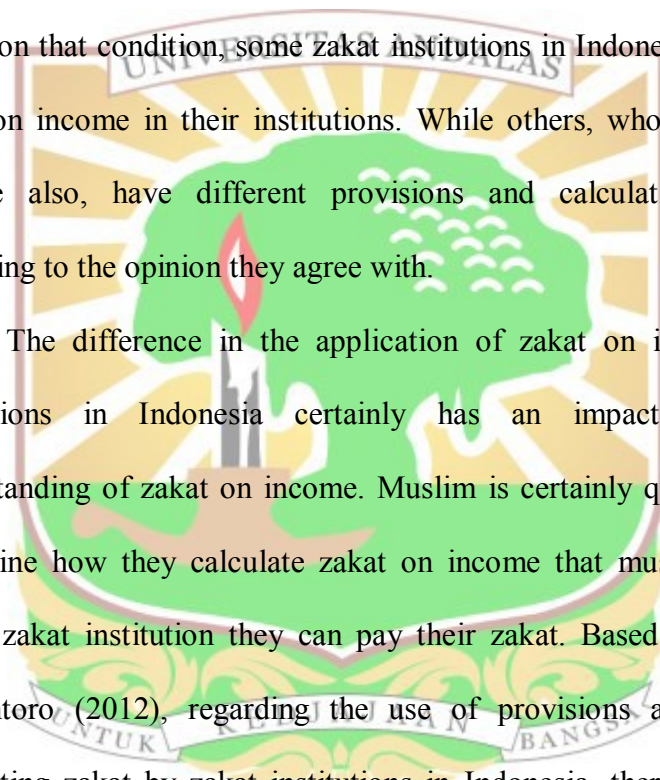
related to the implementation of zakat are further regulated in government regulations and regulations of the minister of religion. An explanation of the implementation of Law No. 23 Year 2011 is regulated in Government Regulation No. 14 Year 2014. An explanation of the requirements and calculation of zakat al-Fitr and zakat al-Mal is regulated in The Regulation of The Minister of Religion no. 52 Year 2014, but in 2015 there was a change so that the regulation was replaced with The Regulation of The Minister of Religion no. 69 Year 2015. An explanation of administrative sanctions in the management of zakat, it is further regulated in The Regulation of The Minister of Religion no. 5 Year 2016.

The Indonesian government recognizes the implementation of zakat on professions or zakat on income. This is based on the fatwa of the MUI (Indonesian Ulema Council) no. 3 of 2003 concerning zakat on income. In that fatwa it is also explained about the implementation of zakat on income such as sources of income, nishab and the time of paying zakat on income. Further explanation regarding the nishab of zakat on income is regulated in The Decision of The Chairman of BAZNAS no. 142 Year 2017. Technical explanations on the provisions and procedures for calculating professional zakat are explained in the Official News of PUSKAS (*Pusat Kajian Strategis*) BAZNAS No. 02/ON/01/2020, 21 January 2020.

There are many regulations regarding the implementation of zakat on income and are explained in detail however, the implementation of zakat on income by zakat institutions in Indonesia does not fully comply

with these regulations. This is due to the regulations made do not explicitly require all zakat institutions in Indonesia to implement the provisions and procedures for calculating zakat on income that have been prepared by BAZNAS and issued a fatwa by MUI. There are still debates regarding the law and provisions for the implementation of zakat on income, so that zakat institutions in Indonesia can use the opinions of Islamic scholars which they think are correct (Nugraha & Zen, 2020). Based on that condition, some zakat institutions in Indonesia do not apply zakat on income in their institutions. While others, who apply zakat on income also, have different provisions and calculation procedures, according to the opinion they agree with.

The difference in the application of zakat on income in zakat institutions in Indonesia certainly has an impact on Muslim's understanding of zakat on income. Muslim is certainly quite confused to determine how they calculate zakat on income that must be paid or at which zakat institution they can pay their zakat. Based on research by Siswanto (2012), regarding the use of provisions and methods of calculating zakat by zakat institutions in Indonesia, there are still many differences in the use of provisions and calculation methods, including the calculation of zakat on income. Another study conducted by Zen (2014), related to the provisions and methods of calculating zakat on income used by zakat institutions in Indonesia, it was found that there were four types of provisions and methods of calculating zakat on income. The study also



shows the amount of zakat paid according to the four types and all of them show different results.

That condition will also affects the number of zakat funds collected and managed by zakat institutions, and also affects income tax receipts, because in Indonesia zakat on income can reduce gross income which affects the calculation of income taxes that must be paid, so there is a possibility of overpaid or underpaid taxes (Zen, 2014). Further impact of this condition will affect Indonesia's state income. Based on this condition, the author has an interest in conducting research on the different methods of calculating zakat on income applied by zakat institutions in Indonesia, as well as analysing the impact on the number of zakat funds collected. This research will be entitled **“The Study of Different Ways of Calculating Income Zakat by Zakat Institutions in Indonesia”**.

1.2 Problem Statement

Based on the research background, research question formulated for this research are:

- What is (are) the different way in calculating zakat on income?
- How zakat institutions in Indonesia calculate zakat on income different from one to another?
- How do the differences affect the number of zakat funds?
- Which method that most applicable based on al Qur'an and hadith?

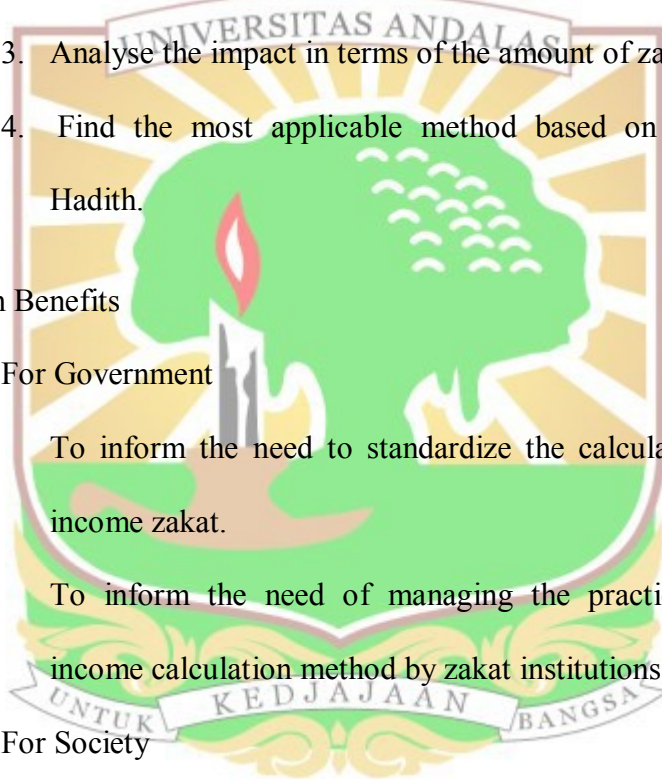
1.3 Research Objectives

This research aims to:

1. Analyse the different methods of calculating income zakat by zakat institutions in Indonesia.
2. Analyse the cause(s) of differences.
3. Analyse the impact in terms of the amount of zakat fund
4. Find the most applicable method based on al Qur'an and Hadith.

1.4 Research Benefits

- a. For Government
 - i. To inform the need to standardize the calculation method of income zakat.
 - ii. To inform the need of managing the practice of zakat on income calculation method by zakat institutions.
- b. For Society
 - i. To improve their knowledge about the zakat on income.
 - ii. To inform them about the method in calculating zakat on incomes.
- c. For Educational Purpose
 - i. To give a contribution to zakat research, especially in the zakat on income.



1.5 Writing Systematic

This research dissertation will be divided into five chapters as follows:

- Chapter One: Introduction

This chapter contains the background of the research, problem statements, research objectives, research benefits, and writing systematics.

- Chapter Two: Literature Review

This chapter describes the theoretical foundation that supports this research as well as previous studies from various sources. The theories explained come from books, journals, articles that are following the problem being studied.

- Chapter Three: Research Methodology

This chapter contains research design, variable identification, operational definitions, and variable measurement, data types and data sources, data collection tools and methods, population, sampling, and sampling techniques, and data analysis techniques.

- Chapter Four: Discussion and Result

This chapter explains the results of the research and analyses how the practices of zakat on income calculation in zakat institutions in Indonesia.

- Chapter Five: Conclusion and Recommendation

This chapter contains conclusions regarding the results of the research, the implications, the limitations that cannot be carried out in the study due to certain factors, as well as suggestions for future research.