



Income Tax Incentives to Increase Zakat Receipts

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Abstract

This study is a literature study with descriptive qualitative research type with literature review that seeks to describe examine the structural and implementation challenges in integrating zakat and income tax within a fiscal incentive framework in Indonesia. Although zakat is legally recognized as a deductible from taxable income, its application remains suboptimal. This is evidenced by Indonesia's low tax ratio and zakat revenues that capture only a small fraction of their potential. The literature reveals that while income tax incentives could theoretically increase zakat collection, they may also reduce overall tax revenue if not properly designed and implemented. The findings emphasize the urgent need for fiscal reform that promotes systemic integration, digital reporting mechanisms, fiscal literacy, and institutional synergy to achieve both social justice and economic welfare.

Keywords: Zakat, Income Tax, Tax Incentive, Fiscal Policy, Institutional Reform.

1. INTRODUCTION

Zakat is a form of worship for the lives of people in balancing and reducing economic disparities for the common welfare. One of the many types of zakat, namely professional zakat, which is agreed upon by scholars to be practiced (Bakir, 2021). Likewise, taxes are one of several legitimate sources of state revenue and are emphasized in the constitution, Article 23A of the 1945 Constitution, stating that taxes and other compulsory levies are for state needs (Kusela, Nabila, & Handayani, 2025). Poverty rates and income distribution in society are significantly influenced by the formulation and implementation of personal income tax policies, especially those specifically designed for low-income people (Nisa, Puji Priyono, & Dwijayanti, 2024). Simply put, these two aspects of levies or payments have been regulated so that they can be managed in a way that is considered the most effective in achieving these goals, namely by depositing payments to official institutions that have been approved by the government.

Previous studies have found a lot of integration between taxes and zakat. Because even though the collection of zakat funds is not explicitly reported to the state treasury, its potential to reduce economic inequality and support community prosperity is very large, just like state taxes (Fauzi, 2023; Saputa, 2024). With this attention, previous researchers have also been busy discussing the existence of Article 9 paragraph 1G of Law Number 7 of 1983 concerning Income Tax with Government Regulation Number 60 of 2010 concerning zakat or mandatory religious donations that can be deducted from the gross income of personal income tax (Ara, 2023). The research results found that zakat as a tax incentive has a positive and significant impact on zakat receipts (Fauzi, 2023; Kusela et al., 2025; Ara, 2023; Nisa, Puji Priyono, & Dwijayanti 2024).

According to one of the rules of ushul fiqhi, public interest is more important than special interest in determining the law on matters related to society such as taxes (Turmudi, 2015). As for the figures of the Maliki School, that is the basis that can be used as a reference for tax collection. Fines for not paying taxes are much more felt by the community, because the government must maintain budget strength, secure revenue and convince the public to pay are very important government goals. Several studies have shown that the function of government influences the attitude of taxpayers about government efforts to improve public facilities and services, fostering public trust that the taxes they pay are used for things that are important to society (Panggiarti et al., 2023).



This research has a high urgency because of the development of academic discussions and public policies on the integration of zakat and income tax as two financial instruments that have strategic functions to improve people's welfare. In addition, there also needs to be a continuous study related to PP Number 60 of 2010 being implemented (Government of the Republic of Indonesia, 2010). Synchronization between professional zakat obligations and income tax in the context of a country with a Muslim majority population such as Indonesia is a complex problem because it involves normative (religion), legal-formal (state laws), and implementative (institutional performance) aspects.

2. METHOD

This research was conducted with a qualitative approach and a literature review method, where a literature review is an analysis of scientific studies that focus on one particular aspect. This allows researchers to find theories or methods, develop them, and identify differences between theories and research relevance (Cahyono, Sutomo & Hartono 2019). Researchers can understand phenomena from various perspectives—religious, social, economic, and policy—contextually through an exploratory and interpretive qualitative approach.

Darmawan (2021:89) in his book explains that qualitative approaches generally rely on humans as research tools. In addition, the literature review method is used because this study does not collect primary data but collects secondary data. This method allows researchers to select the most relevant literature, present systematic arguments, find challenges and opportunities for tax incentive policies on zakat and ultimately create a conceptual framework for further research or recommendations for evaluating public policy making.

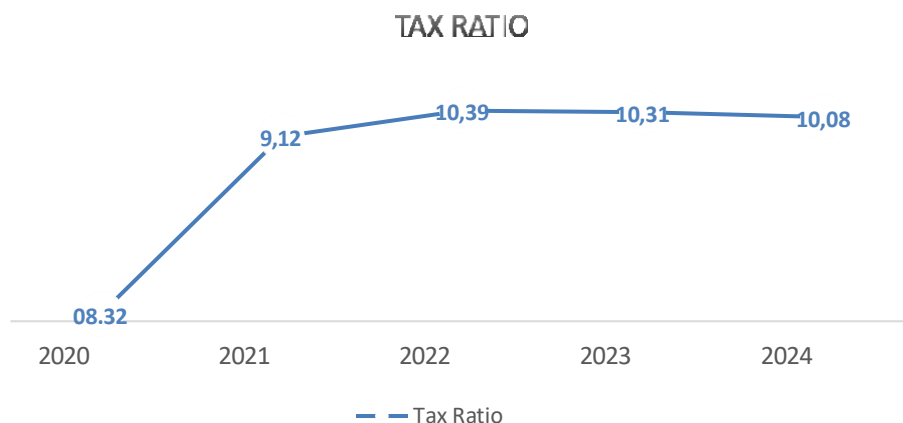
The data is processed qualitatively descriptively by combining research from various sources to create a scientific narrative. Each quote and finding is evaluated based on context, thematic significance, and their influence on our understanding of the topic at hand. Therefore, analysis is closely related to the results of the data collection process (Darmawan, 2021:97). The final results are written systematically, coherently, and support the main arguments of the article.

3. RESULT AND DISCUSSION

According to Soemitro (2003), tax is a contribution from the people to the state treasury based on the law, which can be enforced without receiving any direct compensation and/or used to pay for general expenses. He also explained that Income Tax (PPh) imposed on individuals or entities on income earned in a tax year, its subjective and direct nature means taking into account the taxpayer's condition and being collected directly on behalf of the taxpayer (Soemitro, 2003). The income tax collection system in Indonesia applies the principle of self-assessment, whereby taxpayers are trusted to calculate, pay, and report their own tax liabilities. However, to ensure compliance and accelerate state revenue collection, the government also implements a system of withholding and collection of income tax by third parties, such as Article 21 income tax withheld by employers, Article 22 income tax collected by government treasurers, and Article 23 income tax withheld on services and rentals. This statement emphasizes that PPh is a form of implementation of the principles of justice and the supremacy of law in the modern taxation system, because it is adjusted to the ability to pay of each taxpayer. However, Indonesia has not succeeded in increasing its tax ratio again in recent years, and even tends to decrease from year to year.



Graph 1. Indonesia tax ratio 2020-2024



Source: BPS (2025)

In Islam, a Muslim may be required to pay zakat, like taxes. Zakat means spending a certain amount of their wealth to be given to those who are entitled to receive it (mustahik zakat). This is called so because it contains the hope of obtaining blessings, cleansing the soul, and nurturing it with various virtues that can be obtained from paying zakat. Zakat also increases cleanliness and blessings that can not only improve the economy of the poor, but also support the soul and wealth of the muzaki (Turmudi, 2015). Apart from all that, zakat is merely a form of our faith and piety to the Creator and provider of sustenance (Kusela et al. 2025) as His word says:

Surah at-Taubah ayah 103

م عَلَىٰ عَسَمِي لِّلْوَائِ مَ هَلْ نَ سَلَ صَلَّوْكَ نَ اِ مَّ يَهْ عَلَّ لَ وَصَ بَهَا كِيْهِمْ وَتَرَّ مَ هَزَّةٌ تَطَّ صَدَقَةً مَّ مَوْلِيْهِ اَنْ مَّ خُذْ

Meaning: "Take zakat from their property (in order to) purify and cleanse it them, and pray for them because indeed your prayer is peace for them. Allah is All-Hearing, All-Knowing."

The verse emphasizes the importance of zakat as a useful means for cleansing wealth and souls, as well as the importance of the Prophet's prayer as a source of blessings and peace for his people (Atabik, 2015). The existence of this legal umbrella, zakat is a social worship that must be carried out by all Muslims, even newborn babies, with certain conditions. In addition to the sources of the Qur'an and hadith, there is also a formal legal basis made by the government regarding the management of zakat such as Law No. 23 of 2011 concerning Zakat Management and the management of zakat is also regulated in PSAK 109 Accounting for Zakat, infak, and shadaqoh. Departing from the explanation of the various types of zakat and their mandatory requirements, there is income or professional zakat that is outside the scope of the types of zakat above (Nisa et al., 2024).

This fairly in-depth researcher analysis shows that Indonesia's tax ratio has experienced a downward trend, even stagnating in the range of 9-11 percent of GDP in the last few periods. This shows that, in terms of compliance and performance of the collection system, the state's ability to maximize tax potential is still low. According to BAZNAS data (2023), national zakat revenues have only reached around 5-6 percent of the zakat potential of more than IDR 300 trillion per year, which worsens this condition. This phenomenon shows two fiscal inefficiencies. On the one hand, the tax sources received by the state have not been fully explored, and on the other hand, zakat and other socio-religious resources have not been optimally managed to maximize the improvement and progress of public welfare.

The research conducted by Fauzi in 2023, produced a conclusion that showed the implementation of zakat as a tax deduction began to be effective in Indonesia. This beginning encountered common obstacles experienced, namely the even socialization for all taxpayers. Research by Nisa et al. also produced similar results, where the implementation of zakat as a deduction for income tax through various Islamic philanthropies in Indonesia showed a major contribution in easing the tax burden of taxpayers (Nisa et al., 2024). The final assignment research by Setyoningrum also helped compare literature studies, where zakat significantly influenced taxpayer compliance. The results of the data analysis were 0.041 less than 0.05 and the calculated T value of



2.076 was greater than the T table of 1.985 (Setyoningrum, 2022). Another study conducted in Malaysia by Eko Suprayitno confirmed this research. In 2013, Malaysian panel data analyzed by a fixed effect model stated that muzaki who pay professional zakat are given a total income tax reduction, which means that zakat has a positive impact on tax revenues.

However, these four studies are less relevant to the latest data and information in Indonesia, because in the studies (Kusela et al., 2025; and Nisa et al., 2024) there are still challenges that are not easy and have not been resolved, such as:

- Lack of taxpayer literacy about zakat incentive regulations,
- Weak coordination between the Directorate General of Taxes and LAZ/BAZNAS,
- Distrust of some people towards zakat management by official institutions,
- Low integration of the zakat reporting system in tax administration.

Thus, the decline in the tax ratio and the less than optimal zakat receipts must be understood as a reflection of a fiscal policy that has not been comprehensively integrated and an institutional system that is still sectoral. It is necessary to reform incentive policies based on system integration, simplify procedures for proof of zakat fund deposits, and expand digital channels for zakat reporting, so that it can act as an official and sustainable source of non-budgetary revenue.

4. CONCLUSION

The results of the study show that there are still many structural and implementation problems when combining zakat and taxes in the framework of fiscal incentives. Zakat has been permitted as a deduction from taxable income (PPh) by law, but not everyone implements it properly. This is indicated by the fact that the national tax ratio is still low and that recent zakat revenues have only reached a small part of their true potential. The study shows that when combined with policy synergy, system digitalization, increasing fiscal literacy, and strengthening zakat institutions, tax incentives can increase zakat revenues. Therefore, this study emphasizes that fiscal system reform that integrates zakat and taxes is essential to realizing social justice and economic welfare. And income tax incentives instead of successfully increasing zakat revenues, they actually harm tax revenues themselves.

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