

EFFECTIVENESS OF ZAKAT MANAGEMENT IN MALAYSIA: CITATION, TAX, DISTRIBUTION, AND DIGITALIZATION

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ABSTRACT - The zakat management system in Malaysia has developed well among the community through a systematic and strategic approach. This paper analyzes how this systematic approach has had an impact from various angles, including zakat collection strategies, the implementation of tax incentives, the effectiveness of distribution to the eight categories of *asnaf*, and the use of technology to facilitate payment and monitoring. Zakat institutions in each state play a crucial role in building public trust through honest management, transparent reporting, and zakat distribution programs. This paper also examines how tax incentives serve as an incentive to increase Muslim participation in zakat obligations, while supporting a balance between religious obligations and civic responsibilities. Additionally, digital transformation in zakat management has facilitated easier access and more effective communication of information. Overall, the zakat system in Malaysia not only functions as an individual act of worship but also as a significant tool for social and economic development.

Keywords: Quotation Strategy; Tax Incentives; *Asnaf* Distribution; Digital Transformation.

ABSTRAK –Sistem pengelolaan zakat di Malaysia telah berkembang dengan baik di kalangan masyarakat melalui pendekatan yang sistematis dan strategis. Artikel ini menganalisis bagaimana pendekatan sistematis ini telah memberikan dampak dari berbagai aspek, termasuk strategi pengumpulan zakat, implementasi insentif pajak, efektivitas distribusi kepada delapan kategori *asnaf*, dan penggunaan teknologi untuk memudahkan pembayaran dan pemantauan. Institusi zakat di setiap negara bagian memainkan peran krusial dalam membangun kepercayaan publik melalui pengelolaan yang jujur, pelaporan yang transparan, dan program distribusi zakat. Artikel ini juga meneliti bagaimana insentif pajak berfungsi sebagai insentif untuk meningkatkan partisipasi Muslim dalam kewajiban zakat, sambil mendukung keseimbangan antara kewajiban agama dan tanggung jawab sipil. Selain itu, transformasi digital dalam pengelolaan zakat telah memudahkan akses dan komunikasi informasi yang lebih efektif. Secara keseluruhan, sistem zakat di Malaysia tidak hanya berfungsi sebagai tindakan ibadah individu tetapi juga sebagai alat penting untuk pengembangan sosial dan ekonomi.

Kata Kunci: Strategi Penawaran; Insentif Pajak; Distribusi *Asnaf*; Transformasi Digital.

INTRODUCTION

Zakat management is one of the important elements in the Islamic economic system that plays a role in reducing poverty levels and strengthening the welfare of the ummah. In Malaysia, the zakat management system has developed rapidly through the state zakat institutions.

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However, the issue that often occurs among the public is the lack of extensive knowledge in the matter of zakat both from the amount of payment, the management of zakat after being paid or the sharia of zakat that is revealed to the Muslim community.

In this digital era and the advancement of financial technology. The efficiency of the zakat management system is becoming increasingly important to ensure fair and equitable distribution, as well as to increase public confidence. In addition, the offered tax incentive is supposed to be a catalyst to the increase of zakat quotation, but its effectiveness is still questionable. Justeru, this study aims to analyze the zakat quotation strategy, assess the effectiveness of the tax incentive, examine the mechanism of *asnaf* agihan, and review the potential of digital transformation in strengthening the zakat management system in Malaysia. This study is expected to provide meaningful contributions to the community who are still lacking in knowledge about zakat that has been syaria'h by Allah S.W.T to his servants.

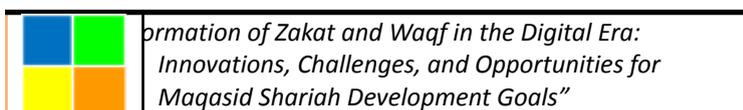
LITERATURE REVIEW

Zakat Management Strategies in Each State in Malaysia

Zakat management in Malaysia has unique characteristics because each state has full authority in managing zakat. This system aims to tailor zakat management to the needs of the local state. Each state in Malaysia manages zakat independently through the State Islamic Religious Council (SIRC). There are no national regulations governing zakat centrally, so each state has its own policies, procedures, and priorities for zakat collection and distribution. SIRC is responsible for the entire administrative process, from collection and management to distribution of zakat. This system allows for a faster response to local needs but also results in variations in transparency and efficiency between states (Hadijah et al. 2024).

The above research shows that zakat management in Malaysia is clearly and systematically handled by the respective responsible parties, both in terms of collection, management, and distribution of zakat. Here are examples of methods or strategies applied by some states in Malaysia:

The state of Kedah (MAINK) has its own strategy. It continues to report to His Majesty Tuanku Sultan Kedah (Sulong & Ali, 2012). LZNK's vision is to



become a catalyst for socio-economic development for Muslims, especially in the state of Kedah. The mission of LZNK is to provide the best services and facilities to zakat payers and recipients, collaborate with various parties, develop competent and dynamic human capital, apply the latest technology, and conduct continuous improvement studies.

The collection of zakat is a fundamental matter that is the primary focus, especially based on national statistics, Kedah is the second poorest state in Malaysia (Malaysian Department of Statistics, 2016; Wardini, 2016). This significant responsibility requires the best strategies, services, and facilities for zakat payers and recipients, through collaboration with various parties. Given the uniqueness and high aspirations of the Kedah zakat institution, LZNK requires a strategic plan to guide and fulfill the established mission and vision (Osman et al. 2019).

The administration of zakat assets in the Federal Territory is one of the important tasks that must be carried out by the Federal Territory Islamic Religious Department (JAWI). In collecting zakat, JAWI divides it into two forms, namely zakat fitrah and zakat on assets (mal). The collection of zakat fitrah is managed by JAWI staff, while the collection of zakat harta is carried out through a subsidiary company established by the Council, namely Harta Suci Sdn. Bhd., which is more commonly known as the Zakat Collection Center (ZCC) (Jaffar, 2005:141). All zakat collection proceeds are deposited into the Baitulmal savings account managed by the Baitulmal department for distribution programs. Thus, in the federal territory, the management of zakat collection and distribution is carried out by different institutions: zakat collection is managed by the Zakat Collection Center (ZCC), while zakat distribution is managed directly by Baitulmal.

In Selangor, the management of zakat was initially entrusted to an institution known as the Selangor Zakat Center (PZS). The Selangor Zakat Center (PZS) was established on February 15, 1994, and registered under the company Mais Zakat Sdn. Bhd., which is a wholly-owned subsidiary of the Selangor Islamic Religious Council (MAIS) with a paid-up capital of RM 500,000.00. PZS began full operations in October 1995 (Ahmad & Husin, 2002:146). Currently, PZS has undergone a name change and is now known as the Selangor Zakat Agency (LZS) of the Selangor Islamic Religious Council (WIRA 2019).



In Malaysia, payments for zakat fitrah can be made to amil who have been appointed or recognized by the zakat institutions of each state, most of whom have been appointed as imams or *bilals* in mosques in the surrounding area. However, zakat on wealth, income, gold, and agriculture must be paid to the zakat institutions of each state.

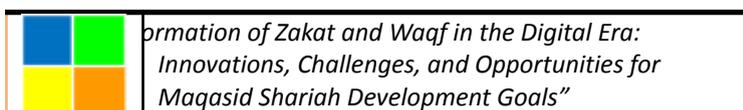
Zakat Incentives for Excise Taxes

The Malaysian government has implemented a policy that provides reductions for individual zakat payers. Through a scheduled tax deduction model or monthly deduction system (PCB), they will enjoy tax reductions equal to their zakat payments, or zakat can be used to reduce taxes by up to 100% (Act 53, 2. 6A (3)). The purpose of this measure is to avoid double taxation on the income of zakat payers (Ruzhiah Ghazali, 2007; Mahmood Zuhdi Haji Abd. Majid, 2007; Ahmad Mohammad Ibrahim, 1991, 648-649; Ahmad Mohammad Ibrahim, 1988; Abd. Rashid Dail, 1986). Indirectly, it also provides an incentive for Muslim communities to pay zakat. This measure is a bold step, as other Islamic countries have not provided the same incentives as those implemented by the Malaysian government (Zakat Collection Center, 2001).

The author states that the policy of providing tax reductions of up to 100% to individual zakat payers is legal under the laws established by the government since long ago.

The existence of such incentives has had a significant impact on zakat collection in Malaysia. In 2008, zakat collection across all states in Malaysia reached RM 1.2 billion, equivalent to Rp 3.36 trillion, with a population of over 28 million people, 60% of whom are Muslim (MAIWP; 2009). This is vastly different when compared to Indonesia, which has a population of over 270 million people, with 85% being Muslim (Suprayitno, Abdul Kader, and Harun 2013).

Since 1967, Malaysia's Income Tax Act has recognized zakat as a tax deduction. Zakat payments made through official institutions can be deducted from taxable income, thereby reducing the amount of tax payable. The majority of Muslims in Malaysia utilize tax deductions for zakat on income, rather than zakat on wealth (zakat maal), possibly due to the monthly zakat deduction system integrated with salary deductions (Siswanto et al. 2022).



The implementation of zakat as a tax deduction has been proven to increase compliance with zakat and tax payments in Malaysia. Compliance rates in Malaysia are higher than in other countries that have not implemented a similar system, such as Indonesia. Zakat as a tax deduction in Malaysia has been legally and effectively regulated. However, its utilization is still concentrated on income zakat and requires further socialization so that the public understands and utilizes this policy optimally (Wijayanti et al. 2022).

Based on this provision, zakat payments will be deducted from the taxes collected if proof of zakat payment is attached to a statement from the LHDBM office. Non-profit income recipients must show proof of payment to a zakat institution or committee approved by the state. Individual zakat payments are allowed as long as the tax amount does not exceed the tax limit paid. The zakat paid must not exceed the specified rate of 2.5% (Farid, 2008) (Ahada and Hamidah 2021).

Malaysia established the Zakat Collection Center (PPZ) in order to socialize the importance and benefits of zakat so as to raise public awareness to pay zakat. Zakat becomes a source of local revenue to finance the needs of zakat recipients. Meanwhile, taxes are used to finance the needs of the state. Zakat is designated as a tax deduction with the requirement that zakat be paid to an official government institution. Data from 2001-2005 shows that since zakat was designated as a tax deduction borne by the Muslim community, there has been an increase in zakat revenue in Malaysia (P. Zakat et al. 2022). Here is how the tax deduction for zakat is calculated:

Tax Amount = Taxable Income – Zakat Paid in the Same Year

Income Tax <50,000,000 = 5%

Individual Income Rp 10,000,000

PTKP Rp 5,000,000

Zakat paid in the same year: IDR 250,000 (2.5%)

Taxable Income =

= IDR 10,000,000 – IDR 5,000,000 = IDR 5,000,000

Income Tax = Income Tax Rate (5%) x Taxable Income – Zakat (Famulia 2020).

With the implementation of the zakat tax reduction system, it has attracted the attention and desire of local residents to perform zakat. Thus, the system has proven that the amount of zakat collected has increased dramatically



compared to other Islamic countries. As a result, Malaysia's economic system has shown resilience and stable growth since 1967.

RESULT AND DISCUSSION

In Malaysia, matters relating to the collection and distribution of zakat are traditionally controlled by the State Islamic Religious Council (MAIN) through the State Islamic Religious Department (JAIN). However, starting in 1990, the Malaysian government changed this approach at the federal level by introducing a corporatization model to improve efficiency and professionalism.

Corporatization means that MAIN/SIRC (State Islamic Religious Council) establishes special subsidiary companies that operate more freely and professionally, following corporate principles, but still under the ownership of MAIN. The establishment of MAIN/SIRC branches can improve zakat collection and management through more proactive and modern strategies, while ensuring accountability and transparency to zakat payers (Mohd Sayuthi and Juisin 2024).

However, not all states in Malaysia have transitioned to a fully corporate system, such as Terengganu, Kelantan, Melaka, Johor, and Perlis. These states still use traditional zakat management systems through religious departments without specialized corporate subsidiaries. Sarawak also remains semi-traditional or not yet fully corporate.

State	Name Institution / Subsidiary Zakat	Management System
Selangor	Lembaga Zakat Selangor (LZS)	Corporatization
Wilayah Persekutuan	Pusat Pungutan Zakat (PPZ-MAIWP)	Corporatization
Pahang	Pusat Kutipan Zakat Pahang (PKZ)	Corporatization
Sabah	Pusat Zakat Sabah (PZS-MUIS)	Corporatization
Pulau Pinang	Zakat Pulau Pinang (ZPP)	Corporatization
Negeri Sembilan	Lembaga Zakat Negeri Sembilan (LZNS)	Corporatization
Kedah	Lembaga Zakat Negeri Kedah (LZNK)	Corporatization (Reformation)
Terengganu	Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM)	Traditional

Kelantan	Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK)	Traditional
Perlis	Majlis Agama Islam dan Adat Istiadat Melayu Perlis (MAIPs)	Traditional
Melaka	Majlis Agama Islam Melaka (MAIM)	Traditional
Johor	Majlis Agama Islam Negeri Johor (MAINJ)	Traditional
Sarawak	Tabung Baitulmal Sarawak (TBS)	Semi- Traditional (not yet fully corporatized)

Zakat collection in Malaysia also has fundraising and education strategies in place for zakat management, and both strategies must run simultaneously. Education raises awareness, while fundraising converts that awareness into action to pay zakat. Various donation strategies have been introduced to increase zakat collection. These include diversifying payment channels through modern methods such as online banking, e-wallets, mobile apps, zakat kiosks, mobile counters, and automatic payroll deductions. Additionally, Ramadan campaigns will be actively conducted through increased educational sessions, TV and radio advertisements, and social media outreach.

Since the 1990s, the method of collecting zakat in Malaysia, in addition to the introduction of corporate organizations, has been diversified through the use of the latest technological advances, including payroll deductions, postal orders, Internet banking, telephone banking, credit cards, debit cards, ATMs, SMS ordering systems, post office counters, and selected bank counters. All these zakat payment facilities contribute to a comprehensive mechanism for collecting zakat. The diversity of these collection mechanisms can be seen as providing flexible and convenient alternatives for Muslims in Malaysia to fulfill their responsibility to pay zakat on time (Nor Paizin and Sarif 2021).

Quotation Rates for Each Type of Zakat

Zakat in Islam is divided into four types, namely zakat fitrah, zakat on wealth, zakat on income, zakat on agriculture, and zakat on gold. Each type of zakat above has a predetermined rate that must be paid once it reaches that rate.

Zakat Fitrah Rates for Each State in Malaysia in 2025



State	Minimum Grade / <i>Wajib</i>	Other Grades
Perlis	RM9	
Kedah	RM7	RM14
Pulau Pinang	RM7	RM10 / RM15 / RM25
Perak	RM10	RM16 / RM27
Selangor	RM7	RM15 / RM22
Negeri Sembilan	RM7.50	RM12 / RM22
Melaka	RM7	RM15 / RM22
Johor	RM7	RM12 / RM20
Pahang	RM7	RM14 / RM21
Terengganu	RM10	RM21
Kelantan	RM8	RM14 / RM21
Sabah	RM7.50	–
Sarawak	RM7.50	–
Wilayah Persekutuan	RM7	RM15 / RM22

The

payment of zakat *al-fitr* above can be chosen based on one's ability or based on the grade or price of rice, which is a daily staple food. The minimum or obligatory amount can be determined based on the price of local rice, while other amounts are based on imported rice such as Basmati rice. The implementation of the above zakat *al-fitr* amounts has been running well based on the honesty of each individual regarding what they eat on a daily basis.

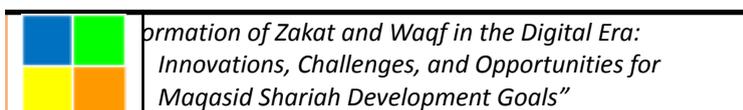
Zakat Rates on Wealth and Income in Malaysia 2025

The zakat rate on wealth and income in Malaysia for the year 2025 is 2.5% of the total wealth or income owned by a Muslim who meets the *nisab* (minimum wealth threshold subject to zakat) requirement, including salary, bonuses, commissions, royalties, and rental income. The *nisab* in Malaysia for the year 2025 is approximately RM 32,010.16. Zakat on wealth covers various types of assets such as cash, savings, investments, stocks, and business assets. The calculation is as follows:

1. Calculate the total wealth owned.
2. Ensure the total wealth exceeds the *nisab* (RM 32,010.16).
3. Calculate 2.5% of the total wealth.

Several factors can affect the amount of zakat, such as the calculation method (gross or net) and additional deductions such as the hajj savings fund. Zakat on wealth is obligatory if it reaches the *nisab* for a full year. However, zakat on wealth is not obligatory if the wealth is still in a negative state or does not reach the *nisab*.

Table 1. Agricultural Zakat Rate in Malaysia 2025



(Source: Ab Rahman, 2024)

The agricultural zakat rate in Malaysia for the year 2025 (1446 Hijri) is 5% of the harvest if the agricultural land is irrigated with rainwater or natural water sources, and 10% if irrigation or artificial water sources are used. This rate applies to all states in Malaysia

The *nisab* for agricultural zakat is 5 *wasaq* (approximately 360 kg of rice, depending on the type of crop). Agricultural zakat must be paid on the harvest of grains (*habah*) and fruits (*tsimar*) that serve as staple foods and have economic value. Agricultural zakat must be paid immediately after the harvest, not after the period of ownership (*haul*)

Gold Zakat Rate in Malaysia 2025

The zakat rate for gold in Malaysia in 2025 is 2.5% of the total value of the gold owned. The *nisab* for the obligation to pay zakat on gold is 85 grams. In Islam, gold jewelry that is worn is not subject to zakat if it remains within the reasonable amount (*uruf*) according to local customs. If the amount of gold exceeds the *uruf* threshold, the excess must be subject to zakat. Therefore, the *uruf* threshold for gold jewelry may vary from state to state. Here are some examples of the *uruf* thresholds for gold jewelry in several states in Malaysia:

- Selangor: 800 grams
- Sabah: 152 grams
- Sarawak: 90 grams
- Terengganu: 850 grams
- Johor: 850 grams
- Kedah: 150 grams
- Perlis: 170 grams
- Penang: 165 grams
- Negeri Sembilan: 200 grams



Distribution of Zakat to Eight Categories of Asnaf

From a theoretical perspective, zakat collections should be distributed to eight categories of *asnaf* as described in the Quran. However, in practice, the distribution to each category of *asnaf* sometimes does not cover the entire category. This is because the allocation and distribution for each category is determined according to the priority and needs of the categories that exist at that particular time. *Asnaf* that do not receive distribution are either because they do not exist at the time of distribution based on a narrow definition, or they exist based on a broader definition but priority for distribution must be given to *asnaf* whose needs are more urgent or *asnaf* who have not made a request (L. Zakat and Kedah 2024).

The scope of zakat distribution by the Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM) follows what has been established by Sharia. The *asnaf* are as explained in the Word of Allah (S.W.T), which means:

“Indeed, alms (zakat) are only for the poor, and the needy, and those who administer them, and those whose hearts are to be reconciled, and for those who seek to free themselves from slavery, and for those in debt, and for the cause of Allah, and for travelers in need. (This is) a decree from Allah. And Allah is All-Knowing, All-Wise.” (Surah At-Taubah: 60)

From the above verse, Allah SWT has outlined eight categories of people who are entitled to receive zakat, namely the poor, the needy, the collectors, the new converts, those in bondage, those in debt, those fighting in the way of Allah, and travelers. To ensure the actual criteria of these categories, the Zakat Distribution Management has established the following definitions of the categories.

Fakir refers to a Muslim who has no wealth or income, or if he does, it is insufficient to meet more than 50% of the basic needs of himself and his dependents. Poor refers to a Muslim who has wealth or income, but only enough to cover more than 50% and less than 100% of his/her basic needs and those of his/her dependents. Amil is an individual or organization appointed by MAIDAM to manage the collection and distribution of zakat. *Muallaf* is someone who has recently embraced Islam and whose heart needs to be softened, but whose faith is still weak. *Ar-Riqab* relates to freeing Muslims from slavery, whether physical or mental, such as freeing them from ignorance or control of certain parties. *Al-Gharimin* refers to those who are in debt to fulfill the basic needs of self, family, or community, provided that the

debt is justified by Syarak. *Fisabilillah* includes individuals or parties involved in activities to uphold, defend, or preach Islam and its virtues. *Ibnu sabil* is a traveler who needs help on a journey permitted by Syarak, regardless of his country of origin or country (Seksyen Agihan Zakat MAIDAM 2024).

The zakat institution in Melaka explains in depth about *al-gharimin*, *fisabilillah*, and *ibnu sabil*. People often misunderstand the meaning conveyed by the local zakat officials regarding these three groups. Here is the explanation:

Al-gharimin:

From a linguistic perspective, *Gharimun* is the plural form [in Arabic] of the root word *ghaarim*, which means a person who has debt. Meanwhile, *gahriim* refers to a person who is in debt and is sometimes also interpreted as someone who has creditors. The original meaning of the word *gharm* in Arabic is “permanent/eternal.” From a technical perspective, those who have a debt that is permanent or have a creditor who is permanent/eternal. A group of people who have debts to meet basic needs for their own well-being, their dependents, or the community that require immediate resolution and are permitted by Islamic law. *Asnaf gharimin* group: 1) People who have debts for their own benefit, 2) Those who have debts for the benefit of society.

Fisabilillah:

From a linguistic perspective, it means the path that leads to the pleasure of Allah SWT, whether in belief or action. When this phrase is used absolutely, it is typically employed to refer to jihad [warfare]. This is the meaning agreed upon by the majority of jurists or the consensus of jurists. Meanwhile, some discussions among scholars within the Shafi'i school of thought also agree that what is meant by *sabilillah* refers to jihad and matters related to it. This is based on the opinion that *sabilillah* is absolute; intended for jihad; and most verses of the Quran that mention *sabilillah* refer to the meaning of jihad, except for a few verses.

When there is an opinion from the Ja'fari and Zaidi schools of thought that broadens the meaning of *sabilillah* to describe the path to obtaining the pleasure and reward of Allah S.W.T. This opinion is also consistent with the



view of Sayyid Rashid Redha, who states that “sabilillah” refers to the general welfare of the Muslim community, through which religious and governmental affairs are upheld, and not for personal gain. Similarly, Mahmud Syaltut interprets *sabilillah* as the common good that does not belong to an individual, which is not only utilized by one person, but whose ownership belongs solely to Allah and whose benefits are for Allah's creatures.

In conclusion, if we examine these opinions and other related ones, it can be said that the meaning of *sabilillah* in the verse on zakat is jihad, as stated by the majority. It is highly inappropriate to interpret “sabilillah” as encompassing all actions that bring about public welfare and draw one closer to Allah SWT. Nor should it be interpreted solely as military jihad. The jihad referred to here can also be carried out in the form of writing or words that encompass jihad in the fields of thought, education, social, economic, and political matters, as summarized by the meaning of jihad in warfare. This aligns with the meaning of a hadith that states, “Charity [zakat] is not permissible for the wealthy, except for five groups.” Among them are those who are in debt and those who fight in the way of Allah.

Ibn Sabil

According to Jumhur Ulama, Ibn Sabil is a metaphor for a traveler, i.e., a person who moves/travels from one place/area to another. It can also be easily understood as a person who runs out of supplies [purchases] during a journey [safar] and a person who is about to embark on a journey [safar] that is required by *syarak*.

The wisdom behind the establishment of zakat for the Ibnu Sabil category is to preserve the rights of the following purposes of travel (Malacca Islamic Religious Council 2024):

- Travel/travelers commanded by Islam to seek provision;
- Travel/travelers commanded by Islam to seek knowledge, observe, and reflect on the power of Allah;
- Travel/travelers for jihad in the way of Allah;
- Travel/travelers for performing the Hajj pilgrimage; and
- Other purposes of travel that do not conflict with the objectives of Islamic law.

All members of this steering committee are civil servants with expertise in various fields and are not involved in any political organizations. This aligns

with the existence of LZNK as an institution free from political influence and directly under the auspices of His Royal Highness (KDYMM) Tuanku Sultan Kedah (Hafizah Zainal, 2020). Based on the Kedah Darul Aman State Law, Enakmen 23 (Enakmen Lembaga Zakat Negeri Kedah 2015) Part III Powers and Functions of the Institution, subsection 18. (2): “The Board shall have the authority to distribute all zakat and zakat fitrah collections to the *asnaf*”

Therefore, the Board of Directors has full authority over any proposal brought forward by the LZNK Management Committee and the Small Distribution and Collection Committee, especially those involving large sums of money and requiring legal opinions or relating to legal matters (Hafizah Zainal, 2020). This step is one of LZNK's initiatives to ensure that every matter is carried out transparently and to avoid any leakage in zakat distribution transactions, especially those involving large amounts of funds.

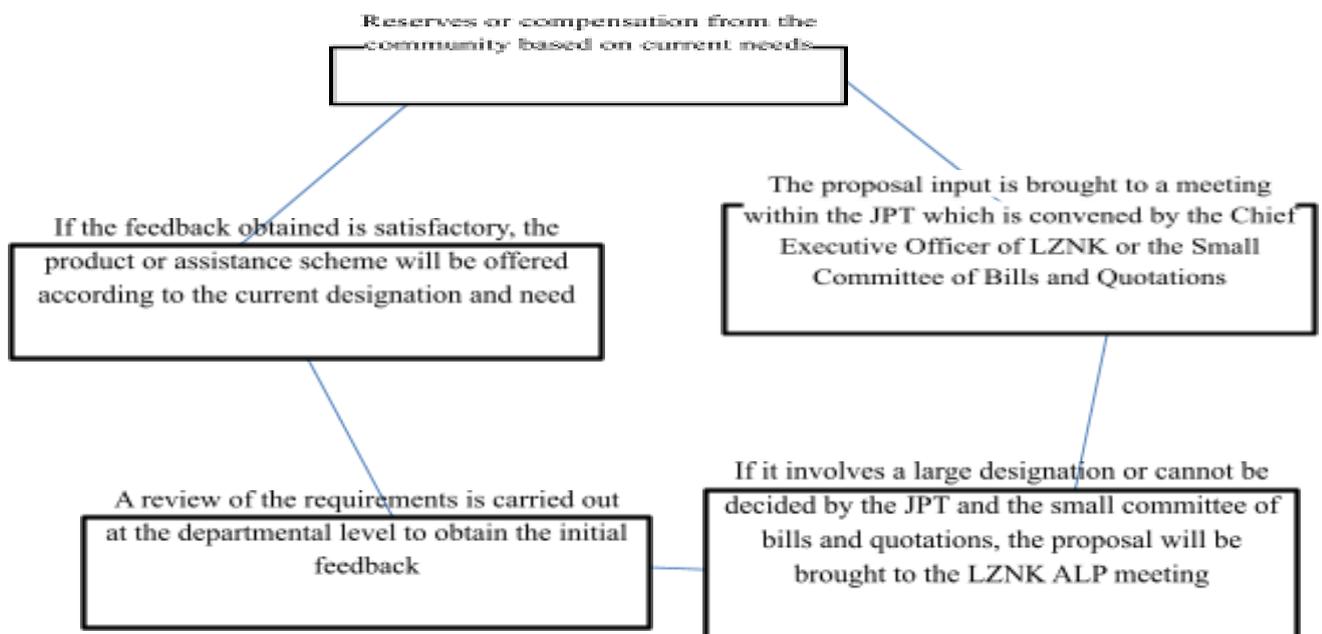


Figure 1. Gold and Silver Dinar and Dirham

Based on the explanation above, Rajah shows the flow chart of a product and distribution scheme implemented at LZNK. At LZNK, a product and distribution scheme are developed based on addressing an emerging issue. Therefore, before a product is developed, an environmental study will be conducted by LZNK. This study aims to assess the impact of its implementation beforehand, whether it will bring benefits or otherwise,

especially to the beneficiaries who receive the benefits (Mohamad Zaki, Sulong, and Zainal 2021).

In this way, communities in areas with a well-organized and orderly system can increase their trust in the zakat organization. As a result, the amount of collections and distributions can increase with greater participation, leading to an improved economy and a prosperous nation.

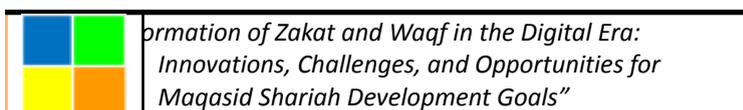
“Zakat Managed with Transparency Builds Community Trust”

Digital Transformation in Zakat Management

Technological developments and innovations have a significant impact on today's financial markets. Introducing new business models and shifting from traditional markets to digital markets through such technologies are some approaches to digital transformation. The zakat system, which is an important instrument in the Islamic economy and financial system, is seen as needing to embrace digitalization in order to keep pace with the developments of the digital era. Digital transformation is necessary as a means of check and balance in the collection and distribution of zakat funds. In addition, human development through zakat funds can be developed and renewed through this digitization. Furthermore, zakat institutions are encouraged to improve their readiness and understanding of technology and innovation to explore digital assets and their zakat capabilities (Rosele et al. 2022).

Digital zakat management essentially consists of three main parts. The first part is zakat collection, which uses two tools. The first tool is internal platforms such as website-based services, applications, and digital banking. The second tool is external platforms such as e-commerce, ride-hailing, crowdfunding, and e-wallets. The second component is zakat distribution, which uses tools such as Rice ATM and Integrated Social Welfare Data. For the third component, zakat management, tools such as SIMBA, blockchain, and Application-based Muzaki Service are used (Hukum and Syariah 2024).

The digital transformation and innovation in zakat management have a significant impact on maximizing the social-economic role of zakat in the modern era. With technological advancements, the collection, distribution, and zakat reporting become more efficient, accurate, and transparent. Digital platforms such as zakat payment applications, big data systems, and blockchain technology enable the public to pay zakat more easily and securely, increasing participation and public trust in zakat institutions. This



innovation also contributes to realizing the greater mission of zakat as a solution to poverty alleviation. Digitalization not only brings zakat to a more transparent and efficient level but also strengthens its role in economic development and social welfare. In the modern era, zakat managed innovatively can become an important instrument in creating sustainable well-being and reducing social inequality in society (Putri, Zaki, and Riau 2025).

The Zakat on Touch (ZOT) app was introduced by the Kedah State Zakat Agency (LZNK) in December 2019. The purpose of introducing this application is to facilitate the administration and payment of zakat by enabling users to monitor and verify zakat collections and distributions using smartphones in a transparent and efficient manner (LZNK, 2019). The use of ZOT greatly assists zakat collectors in updating data on assistance provided to zakat recipients by simply scanning the recipient's identification card. Through ZOT, app users can also provide information about any eligible recipients of zakat.

Zakat collection and distribution data can be viewed from time to time through the ZOT application. The application allows zakat payers to see for themselves where their zakat money is distributed, which gives them confidence to continue paying zakat. The effectiveness of this app can be seen from the significant increase in zakat collection results by LZNK, from RM140 million in 2017 to RM184 million in 2018 and RM207.5 million in 2019. This clearly demonstrates the positive impact of this app (Abdul Manan et al. 2021).

Here is one example of a digital zakat application implemented in the State of Kedah (LZNK). Not only zakat institutions have zakat applications, but Islamic banks in Malaysia also support and assist the State Islamic Religious Council. This is to ensure that Muslim communities do not feel burdened by the difficulties they face in fulfilling their zakat obligations. Maybank is one of the banks assisting the state zakat collectors in collecting zakat from the community.

Therefore, the decision to adopt digital transformation in zakat management is highly appropriate for both the community and the zakat administrators or collectors. All forms of zakat collection and distribution data can be recorded



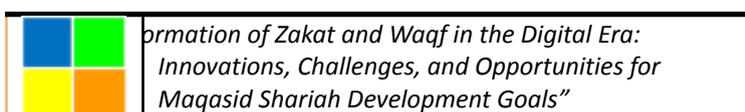
with greater accuracy. Digital zakat can also enhance the knowledge of the community about zakat, particularly for those who still lack understanding of zakat, including the rate of collection and the eligibility criteria for zakat recipients as stipulated in Islamic law.

CONCLUSIONS

In this writing, it can be concluded that everything with an organized system and Amanah can build an expensive trust and can generate so much attraction. From the first quotation of zakat, it can be seen how accurate the calculation of the smallest assets to the largest assets is calculated with a fair calculation. Secondly, in terms of attracting the attention of the community in doing this zakat charity, there is a tax deduction from the amount of zakat that has been paid. Thus, the burden of society is not divided into two, the state and religion. However, it makes it easier by uniting the two things tax and zakat so that the obligation is prioritized and the sunnah is not forgotten. Finally, the distribution of zakat to eight groups of *asnaf* is very fair and honest. With the data on the amount of collection, the administrator or amil zakat can distribute zakat fairly so that it can prioritize the needy and the most recent needs. Therefore, a country will stabilize its economy with an honest and trustworthy zakat system that has been controlled by the state itself.

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