

# **PROBLEMS AND DIFFICULTIES FACING ZAKAT ADMINISTRATION**

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## **ABSTRACT**

This paper outlines nine areas of problems and difficulties facing zakat administration in Malaysia. The nine areas are Fiqhi related problems, coverage of Zakat, Zakat assessment, Zakat payment through non-official channels, information gap, storage and transportation, administrative cost, disbursement of Zakat and Zakat law. The problems outlined should not be considered as hindrance to the practice of Zakat. Rather, they should be considered as hurdles where if resolved, the benefits of Zakat will truly be realized.

## **INTRODUCTION**

The fact that Zakat has only recently being reimplemented after centuries of discontinuity implies that it will face certain difficulties. The world economy has also rapidly changed, which primarily adds to the obstacle in effective administration of Zakat.

## **DISCUSSION**

Fiqh related issues pose some problems in the administration of Zakat. The administration of Zakat of each country tends to comply with traditional Fiqh rules available in the literature. However, there are now a lot of new circumstances, unsurfaced during the time of the Fiqh literature. Hence, there is the need for Ijtihad. In Saudi Arabia, Zakat is obligatory only if there is real or potential growth, hence, fixed business assets are excluded from Zakat. Recently, nisab for assets are redefined in Saudi Arabia, in terms of gold, while ignoring the silver. Zakat on professional income is recently imposed. There are numerous other issues that have not been resolved.

Coverage of Zakat by the Zakat administration is still non-exhaustive. Not all of the Zakatable resources is covered. This may be due to Fiqhi restriction or non-comprehensiveness of local laws. In Saudi Arabia, although income of professionals is Zakatable, only those incomes from self-employed professional are obligatory. The salaried professionals are exempted from compulsory Zakat (Kahf., 1990).

Leakage and Zakat evasion are partly due to the lack of effective Zakat assessment method. According to Salama (1990), assessment of Zakat on commercial assets is difficult because of, among others, the lack of experience on non-conspicuous assets,

non-availability of proper accounting by the Zakat payers, and hesitance to declare assets for fear of the tax department. In Saudi Arabia, the Zakat administration will make an arbitrary assessment if the declaration by the Zakat payers is deemed unacceptable or if the payer does not keep proper accounting. This arbitrary assessment, although is based on imports, contracts and estimated rates of profit, may be unjust to the Zakat payer since it is not based on the real Zakat base (Kahf., 1990).

Major leakage in the Zakat administration is also caused by the Zakat payment to non-official channels. Zakat not covered by statutory obligations are paid to non-official channels. Ghazali (1988) noted to 5 other reasons for the payment of Zakat to non-official channels. They are inconvenience of going to the council's office which collects Zakat, inefficiency of the council's collection efforts, lack of confidence in the council's distribution of Zakat, satisfaction received by giving Zakat to known people, and political factors.

Zakat administration faces problem on its implementation, i.e., lack of knowledge among the payers about laws and Shariah provisions on Zakat. Othman et. al. (1990) stated that the problem affecting the collection of Zakat in Malaysia is the lack of publicity and information on the types and kinds of Zakat that should be paid. Salama (1990) quoted an incident in Kuwait where a Muslim asks his relatives to change to new cars annually in order to avoid being liable to Zakat. He further suggests that the effect of informing the people about Zakat through the masse media would be tremendous.

Where Zakat is paid in kind for agricultural sector, the lack of adequate storage and transportation facilities may affect the collection. Some scholars stick to the ruling that Zakat in kind for wealth and Zakat for self (Fitrah) should be paid in the same form (as in the case of wealth) or staple food (as in the case of Fitrah). This needs good storage facility as agricultural crops are perishable and livestock need food and care.

Administration costs may deplete the Zakat funds, since Zakat administration is one of the beneficiaries of Zakat. Zakat administration is the means, and not the ends of Zakat. Therefore, the use of Zakat funds on covering its cost administration should be minimized. According to Hassan (1987), the administrative cost for Zakat was 52 percent of the Zakat disbursement in Negeri Sembilan from 1978 to 1982. In 1985, the Zakat disbursement in Perlis was 34 percent to the Zakat employees compared to only 14 percent to the poor.

Disbursement policy of Zakat should be made so that a higher share of Zakat should be given to the persons who really deserve it. The main objective of the Zakat is to upgrade the economic condition of the poor. Hence, they should get the biggest share of the disbursement. According to Salama (1990), 100 percent of Zakat was distributed to three regions with high-Zakat-collection, whereas other poor regions receive insignificant shares. It may be caused by non-available collection channel being the determining factor rather than poverty.

The wide range of variations in Zakat laws across countries contributed to the difficulty of Zakat administration. Such variations may even occur between states in a country. Othman (1990) quoted an example where the maximum penalty for Zakat

law violation in Johor is RM10 without imprisonment, whereas in Kedah is RM500 with 6 months imprisonment. In Sudan, bank balances are not covered by Zakat because of the difficulty in determining the Nisab.

### **CONCLUSION**

The problems outlined above should not be considered as hindrance to the practice of Zakat. Rather, they should be considered as hurdles where if resolved, the benefits of Zakat will truly be realized. Hence, administrators, government and religious scholars should work together to resolve those issues.

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