



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS THAT INFLUENCE MUSLIMS'
PERCEPTION TOWARD TAX DEDUCTION
THROUGH ZAKAT SYSTEM**

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ABSTRACT

Tax deduction is a reduction of income that is able to be taxed and is commonly a result of expenses, which means to produce additional income. On the other hand, zakat is a religious obligation for all Muslims who met the necessary criteria of wealth and its play an important role in poverty reduction, social and economic development of the country. Tax deduction does mean not paying taxes, however, it just means being smart about where to place money to acquire maximum benefits (through zakat system) by a Muslim. The aim of this study is to explore the determinants which are affecting Muslims' perception towards tax deduction through zakat system. There are four determinants that being tested in this study which are knowledge about zakat, knowledge about tax, legal consciousness and halal-haram. The data was collected from 150 distributed questionnaire amongst Muslims respondents. In analysing the data, researcher had done six analysis which is demographic analysis, descriptive analysis, factor analysis, correlation analysis, regression analysis and reliability analysis. All determinants are significant impact on Muslims' perceptions towards tax deduction through zakat system. Due to the limited literature available regarding to this topic, this research may help new researchers that wanted to do further investigation and study on this topic. Thus, this study helps Muslims to enjoy their zakat rebate in paying tax.

Keywords: Muslims, Perceptions, Tax deduction through zakat, knowledge about tax, knowledge about zakat, legal consciousness, halal-haram

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CHAPTER INTRODUCTION

ONE

1.1 Introduction

All the Muslim countries around the world is trying to implement Islamic tenets in their management especially regarding to the economy of the country. It can be seen through the establishment of Islamic Banks around the world now. Islamic Banks is the major symbol that many countries in this world is trying to impart Islamic value in developing their countries. However, the other example that we can see is most of the countries nowadays keep focusing in improving their zakat institutions in order to enhance the collection of zakat. Zakat is important for a country specially to curb the poverty issue among Muslims. Zakat is the third out of five Pillars of Islam. It is a basis of eradicating the poverty and uphold the dignity of ummah as Prophet Muhammad (pbuh) has mentioned, "Hunger nearly leads to infidelity and all sorts of wrong doings". We as a Muslim have to fight the poverty and the best weapon is to apply the zakat system wisely.

Due to the current issue of unemployment and high living cost, most of Muslims live in poverty and distress. We are facing with a community of debt-ridden, incomplete education amongst children and lack of donation that require us to find a way in order to curb all the problems which by implementing zakat system. According to the researcher Russell Powell in 2010, zakat was mandatory by state law in Libya, Malaysia, Pakistan, Saudi Arabia, Sudan and Yemen. However, there were government-run voluntary zakat contribution programmes in Bahrain, Bangladesh, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon and the United Arab Emirates.

Paying zakat in Indonesia is not a mandatory but more to a voluntary activity. In the early of Indonesian zakat history, zakat institutions were under mosques and madrasahs. For example, when Javanese Muslims paid zakat, much of the fund used to build madrasahs and mosques as their religious educational institutions. Nevertheless, Indonesia had revised the Law of Zakat which is from The Politics of Non-Governmental Zakat Institution Under The Law of Zakat No. 38 Year 1999 to No. 23 Year 2011. From that point, zakat management of Indonesian is divided into two which is being managed by government board of zakat and private zakat institutions.