

UNIVERSITI TEKNOLOGI MARA

**EXPLORING THE GUIDELINES OF
ZAKAT ON CRYPTOCURRENCY**

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ABSTRACT

Zakat is one of the five pillars of Islam and has played an important role in the Muslim community. Nowadays, due to the emergence of technology, a type of money of called cryptocurrency is introduced. Unlike traditional currencies, which are issued and regulated by central banks worldwide, cryptocurrency is created using protocols devised by its creators. However, the Islamic law (*Shariah*) perspective regarding zakat on cryptocurrency seems to be unclear due to the ambiguous understanding and interpretation of the features as well as characteristics of cryptocurrency by Muslim jurists. In pursuant thereto, this research analyses the features and characteristics of zakat from Islamic law, features of cryptocurrency, and the legality, as well as the potential of zakat on cryptocurrency, based on the qualitative and descriptive cross-sectional analysis through the verses in the holy Qur'an, the Prophetic traditions, views of classical and contemporary Muslim jurists, the semi-conducted interviews and data obtained from reliable sources. The research found that cryptocurrency is legal in the Islamic law of jurisprudence (*al-fiqh*), whether it is a currency or an asset. The permissible in Islamic law of jurisprudence is consistent with the *al-istishdb* principle and is closest to the Shariah objectives. Additionally, zakat on cryptocurrency is complemented with the framework of zakatable items such as oil palms, rubber crops, cocoa, salary, and horse based on the principle of analogical reasoning (*al-qiyas*). The viewpoint that opposes cryptocurrency would be on the Shariah-oriented policy (*al-Siydsah al-Shariah*) and the extrinsic arguments concerning cryptocurrency rather than the Islamic law of jurisprudence and the intrinsic issue. As a result, it is legal whether cryptocurrency is classified as a currency or an asset. With the increasingly widespread transactions that are used cryptocurrency as a medium of transactions by people, the issues of zakat on the cryptocurrency from an Islamic perspective should be resolved. It is hoped that the proposed guidelines for zakat on cryptocurrency can assist Malaysia's zakat administrators in the implementation of zakat on cryptocurrency in the states in Malaysia.

Keywords: Zakat, Cryptocurrency, Islamic Law, Shariah,

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