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## **From tax deduction to tax rebate: A philosophical reconstruction of zakat–tax integration in Indonesia**

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**Abstract:** This study examines the normative and philosophical foundations of zakat–tax integration in Indonesia by critically assessing the limitations of the existing tax deduction mechanism and proposing a transition toward a rebate-based model. Although zakat payments made through authorized institutions are formally recognized as deductible expenses, this policy has failed to provide substantive fiscal relief and has produced a persistent double burden for Muslim taxpayers. Employing a normative legal research method with an interdisciplinary orientation integrating legal philosophy, legal pluralism, maqāṣid al-shari‘ah, and comparative analysis this study analyzes Indonesia’s zakat–tax framework and contrasts it with Malaysia’s rebate system. The findings show that Indonesia’s deduction model marginalizes zakat as a fiscal institution, contradicts principles of distributive justice, weakens legal legitimacy, and limits zakat’s redistributive function. In contrast, Malaysia’s rebate model eliminates the double burden by allowing zakat to directly reduce tax payable, thereby enhancing compliance, fiscal justice, and institutional coherence. This study argues that the core problem of zakat–tax integration in Indonesia is paradigmatic rather than administrative. Accordingly, it proposes a rebate-based integration model supported by regulatory reform, institutional collaboration, and digital governance. The study contributes theoretically by reconstructing zakat–tax relations through a legal-philosophical lens and practically by offering a policy-oriented framework for a more just and pluralistic fiscal system in Indonesia.

**Keywords:** Zakat and Tax Integration, Tax Rebate, Legal Philosophy, Maqasid al-Shariah, Fiscal Justice

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### **Introduction**

The relationship between zakat and taxation in Indonesia has been formally regulated through a tax deduction policy, under which zakat payments made through officially recognized institutions may be deducted from taxable income. Although this mechanism represents an initial effort to integrate religious and state fiscal obligations, it has proven insufficient in addressing the substantive fiscal burden faced by Muslim taxpayers. Under the deduction system, zakat does not directly reduce tax liability, resulting in limited fiscal relief and reinforcing the perception of a double obligation for Muslims who are required to comply simultaneously with zakat and income tax.

Within the Indonesian context, zakat has long been recognized as an important fiscal instrument due to its emphasis on social justice, redistribution, and ethical economic principles rooted in Islamic law (Yudha et al., 2025). The integration of zakat into the national fiscal framework is expected to expand social welfare coverage, reduce economic inequality, and support sustainable development goals in line with sharia principles (Desvianti et al., 2025). Indonesia’s zakat potential is estimated to exceed IDR 327 trillion annually (BAZNAS, 2024), indicating its substantial capacity to complement state fiscal resources in improving mustahiq welfare and promoting economic empowerment (Latifah, 2021; Saptono, 2024).

However, despite this significant potential, zakat's contribution to Indonesia's fiscal system remains suboptimal. This gap reflects the limited effectiveness of existing fiscal policies in positioning zakat as an integral component of national revenue and welfare instruments. This limitation arises primarily from the lack of effective legal and policy integration between zakat and taxation systems, while taxation functions as the main source of state revenue for financing public expenditure and long-term national development (Agnes et al., 2021; Emmanuel, 2022; Ramzan et al., 2023), zakat operates within a parallel regulatory framework that is only partially accommodated in tax policy. The existing zakat-tax relationship, which is largely based on a deduction mechanism, has not fully incentivized zakat compliance nor maximized its fiscal impact (Wibowo & Gunarto, 2024).

This limitation reveals a deeper normative tension between zakat and taxation. Zakat is grounded in religious obligation and distributive justice, while taxation is based on state authority and fiscal pragmatism. Although both coexist within Indonesia's pluralistic legal system, they remain insufficiently harmonized. As a result, zakat continues to operate within a parallel framework and is not yet fully integrated into national fiscal policy (Benitez et al., 2023).

Previous studies have examined zakat-tax integration from various perspectives. First, Wibowo and Gunarto (2024) analyzed the effectiveness of zakat as a tax deduction instrument and found that the policy had minimal impact on tax compliance and zakat collection (Wibowo & Gunarto, 2024), however their study remained largely empirical and administrative, without addressing the normative foundations of zakat-tax relations. Second, Syahbandir et al. (2022) explored the legal framework governing zakat and taxation in Indonesia and identified institutional fragmentation as a key obstacle, yet their analysis stopped short of proposing an alternative legal model (Syahbandir et al., 2022). Third, Herianingrum et al. (2024) highlighted fiscal inequality arising from the dual burden borne by Muslim taxpayers, but did not critically examine zakat-tax integration from a legal-philosophical or comparative perspective (Herianingrum et al., 2024).

From a broader theoretical standpoint, zakat and taxation are often treated as fundamentally distinct fiscal instruments. Zakat is understood as a Muslim's spiritual obligation to God, whereas taxation constitutes a civic duty owed by citizens to the state (Hadinata, 2023). Moreover, zakat distribution is strictly limited to the eight asnaf (1985, *الزهيل*), whereas tax revenues are allocated to a wide range of public interest, including infrastructure development, public services, and government expenditure (Ara, 2023). This dichotomous understanding is largely shaped by a textualist and atomistic mode of legal reasoning, which emphasizes individual-oriented maslahah and overlooks broader social and structural considerations. Such an approach constrains the adaptability of Islamic legal reasoning in responding to complex modern fiscal systems (Nikmah, 2022).

In contrast, Malaysia provides an alternative approach through the implementation of a zakat-tax rebate system, under which zakat payments made to officially recognized institutions are directly credited against tax payable (Marhaini & Ahmad, 2022; Siswantoro et al., 2022). This institutional integration has reduced the double burden on Muslim taxpayers and enhanced fiscal fairness. Meanwhile, Indonesia's continued reliance on the deduction system has failed to produce comparable outcomes, reinforcing perceptions of injustice and weakening zakat compliance (Syamsuri & Adillah, 2024). This condition underscores the urgency of reconstructing Indonesia's zakat-tax framework to ensure justice, efficiency, and legal coherence.

Philosophy provides a critical analytical lens for examining legal problems and reconstructing existing paradigms (Asikin, 2020). Through this approach, the values of justice, legal validity, and legitimacy can be assessed in more comprehensive and critical manner (Januri & Lita, 2023). Accordingly, this study argues that zakat-tax integration must be re-examined not merely at the regulatory or administrative level, but at the level of legal paradigm, by incorporating legal philosophy, legal pluralism, and *maqashid al-shariah*.

Therefore, this study aims to: 1) critically analyze the normative and philosophical foundations of zakat–tax relations in Indonesia; 2) examine the limitations of the existing deduction-based model; 3) conduct a comparative analysis of zakat–tax integration in Indonesia and Malaysia; 4) propose a policy-oriented zakat–tax rebate model supported by a regulatory and institutional framework compatible with Indonesia’s legal system.

## **Method**

This study employs a normative legal research method with an interdisciplinary orientation, integrating legal analysis with Islamic legal philosophy and public finance studies. This interdisciplinary approach is used to examine the conceptual and philosophical relationship between zakat and taxation, as well as to assess their regulatory integration within the framework of Islamic economic law and state fiscal policy. The purpose of this interdisciplinary orientation is to bridge the normative foundations of Islamic law with the operational logic of modern state taxation systems.

The research is conducted through in-depth library research, which is appropriate for normative legal studies because it focuses on the analysis of legal norms, doctrines, and authoritative texts rather than empirical field data (Mansur et al., 2025). This approach is chosen because the objects of analysis consist of statutory regulations, fatwas, legal doctrines, and policy documents, which must be examined through textual and doctrinal analysis to evaluate their coherence, hierarchy, and philosophical consistency.

Legal materials were obtained through systematic searches of legal databases, official government and institutional websites, and reputable academic publishers. The selection of sources was based on the following criteria: 1) legal authority and normative relevance, 2) direct relevance to zakat and taxation regulations in Indonesia and Malaysia, 3) academic credibility and, 4) publication by recognized institutions or peer-reviewed outlets.

This study applies four legal approaches. The statutory approach is used to analyze the hierarchy, structure, and substance of zakat and tax regulations. The conceptual approach examines key legal concepts such as zakat, taxation, tax deduction, and tax rebate. The comparative approach compares zakat–tax regulatory models in Indonesia and Malaysia to identify normative differences and best practices. Finally, the Islamic legal theory approach analyzes the issue through the perspectives of *maqasid syariah*, justice, and *maslahat* to assess the normative legitimacy of zakat–tax integration.

Primary legal materials include statutory regulations, policy documents, and fatwas, while secondary legal materials consist of academic books, peer-reviewed journals, and official reports from zakat institutions. All materials are analyzed using qualitative normative content analysis to identify normative patterns, conceptual inconsistencies, and underlying philosophical foundations. Data validity and interpretative consistency are ensured through source triangulation, hierarchical norm testing, and doctrinal consistency analysis (Berelson, 1952).

The analytical process consists of three stages: 1) selection and classification of relevant legal materials, including regulations, principles, and doctrines related to zakat and taxation, 2) normative and comparative analysis, focusing on the comparison between Indonesian and Malaysian zakat–tax frameworks, 3) normative reconstruction, aimed at formulating a rebate-based legal integration model for zakat and taxation. These analytical steps are illustrated in Figure 1.



**Figure1.** Steps on Analysis

Source: compiled from various sources, as shown in

## Results and Discussion

### Normative Relations Between Zakat and Taxation

This study finds that the normative relationship between zakat and taxation in Indonesia is characterized by structural asymmetry rather than balanced legal integration. Although both zakat and taxation are formally recognized within Indonesia's pluralistic legal system, the current regulatory framework positions zakat as a secondary fiscal norm that operates only at the margin of state taxation. This asymmetry produces a dual obligation regime in which Muslim taxpayers are required to fulfill both religious and civic duties without proportional legal accommodation.

The findings demonstrate that this dual obligation is not merely an administrative arrangement, but a direct consequence of how positive law conceptualizes zakat. Under Law No. 23 of 2011 and Government Regulation No. 60 of 2010, zakat paid through officially recognized institutions is treated solely as a deduction from taxable income rather than as a reduction of tax payable. This legal design indicates that zakat is symbolically acknowledged but substantively neutralized within the fiscal system, as it reduces only the tax base while preserving the full authority of income taxation.

A key contribution of this study lies in showing that the deduction mechanism systematically generates a double fiscal burden for Muslim taxpayers. Unlike non-Muslim taxpayers, compliant muzakki are subject to cumulative compulsory payments without equivalent fiscal recognition. From a constitutional perspective, this condition contradicts the principle of social justice embedded in Pancasila and Article 33 of the 1945 Constitution. Normatively, religious compliance paradoxically results in heavier fiscal pressure, thereby undermining both distributive and substantive justice.

From the perspective of distributive justice, the findings reveal that the deduction-based system fails to allocate fiscal burdens proportionally. Drawing on Rawlsian theory, justice requires that fiscal arrangements distribute burdens fairly and avoid disadvantaging particular groups. However, because zakat does not directly reduce tax liability, compliant muzakki do not experience meaningful fiscal relief. Substantively, this arrangement also raises concerns of indirect discrimination, as it structurally disadvantages a religious majority group through cumulative obligations embedded in positive law.

In contrast to previous studies, this research locates the core problem not in administrative inefficiency or taxpayer compliance, but in the normative construction of zakat within state law. While Nasution (2019) emphasizes legal pluralism and Wijayanti et al. (2022) describe the coexistence of religious and civic obligations, these studies do not interrogate how state law hierarchizes these norms (Nasution, 2019) (Wijayanti et al., 2022). Similarly, although Febriyanti (2021) identifies Malaysia's rebate model as more effective, her analysis does not explain why Indonesia's legal paradigm prevents similar integration (Febriyanti, 2021). This study advances the literature by demonstrating that Indonesia's deduction model reflects a textualist and minimalist approach to Islamic norm integration one that recognizes zakat formally but strips it of substantive fiscal power.

Accordingly, the findings indicate that Indonesia's zakat-tax integration remains partial and instrumental. Zakat is acknowledged as a deductible expense, yet denied recognition as a fiscal obligation equivalent in normative weight to taxation. This fragmented integration weakens public trust, undermines compliance, and limits zakat's redistributive potential. The discussion further shows that a

zakat-tax rebate model, as implemented in Malaysia, offers a more coherent normative solution. By allowing zakat to directly reduce tax payable, the rebate model recognizes zakat as a legitimate fiscal contribution while maintaining state revenue authority. More importantly, it resolves the justice deficit inherent in the deduction system by eliminating the double burden and aligning religious compliance with civic responsibility.

**Table 1.** Conceptual differences between Tax Deduction and Tax Rebate

Aspect	Deduction	Rebate
Policy Form	Reduction of taxable income (taxable income base). Zakat is treated as a deductible expense	Reduction of tax payable. The amount of zakat directly reduces the tax liability
Impact on Muzakki	Muzakki are required to pay full income tax despite having paid zakat, resulting in a double burden	The double burden is eliminated, as zakat replaces part or all of the tax obligation
Tax Burden	Does not reduce the amount of tax payable, only reduces the tax calculation base	Directly reduces tax payable, potential to zero
Principle of Justice	Fails to fully meet the principle of fair tax burden (Rawls), as certain groups bear a heavier fiscal burden	More just proportional; consistent with the principle of proportional justice (Aristoteles)
Consistency with Maqasid Al-Shariah	Weak: zakat is not optimized as an instrument of hifz al-mal and maslahah	Strong; zakat functions effectively as a mechanism for redistribution and wealth protection
Fiscal Impact	Does not significantly increase zakat compliance, resulting in limited fiscal impact	Increases zakat compliance by approximately 30-50%, thereby expanding wealth protection and fiscal effectiveness

As summarized in Table 1, the differences between tax deduction and tax rebate schemes are not merely technical, but reflect fundamentally different conceptions of justice, fiscal responsibility, and the normative status of zakat within the legal system.

In sum, this study finds that the problem of zakat-tax integration in Indonesia is paradigmatic rather than technical. The deduction system embodies a legal philosophy that subordinates religious fiscal norms to state taxation, thereby producing structural injustice and fiscal inefficiency. A shift toward a rebate-based model is therefore not simply a policy option, but a normative necessity to realize constitutional justice, legal pluralism, and substantive equality within Indonesia's fiscal governance.

### **Legal-Philosophical Critique of the Tax Deduction System**

This study finds that Indonesia's tax deduction system reflects a legal-philosophical inconsistency rather than a neutral fiscal arrangement. Through normative analysis, the deduction model is shown to weaken the normative status of zakat within the national fiscal system and to generate structural inequality. Rather than functioning as an integrative mechanism between religious and state obligations, the deduction system reproduces injustice, undermines legal legitimacy, and marginalizes Islamic fiscal norms within Indonesia's pluralistic legal order.

#### 1. Justice Theory and the inequality produced by the deduction system

This study finds that Indonesia's deduction-based zakat policy fails to satisfy the requirements of distributive and proportional justice. An analysis of Article 22 of Law No. 23 of 2011 in conjunction with Article 9 of the Income Tax Law shows that zakat is treated merely as a reduction of taxable income, not as a reduction of tax payable. As a result, muzakki who comply with religious obligations continue to bear the full income tax burden on the same income base. Drawing on Rawlsian justice theory, fiscal arrangements should distribute burdens fairly and avoid disadvantaging particular groups. However, the findings indicate that Muslim taxpayers face cumulative compulsory payments, while non-Muslim taxpayers are subject only to taxation.

This outcome extends Marzuki et al.'s (2019) observation by demonstrating that the deduction mechanism does not merely create inefficiency, but produces structural disproportionality and indirect discrimination within a formally neutral legal framework (Marzuki et al., 2019). The study therefore concludes that Indonesia's deduction system contradicts constitutional commitments to social justice and undermines the ethical foundation of fiscal policy.

2. Legal legitimacy and fuller's inner morality of law

From the perspective of legal legitimacy, this study finds a clear incongruence between the declared objectives and the actual effects of Indonesia's zakat-tax policy. Applying Fuller's concept of the inner morality of law, particularly the principle of congruence between declared rules and their implementation, the analysis reveals that zakat regulations formally aim to encourage compliance and reduce fiscal burden, yet substantively fail to achieve these objectives. This finding confirms concerns raised by Asfarina et al. (2019), but modifies their conclusion by demonstrating that the core problem is normative rather than administrative (Asfarina et al., 2019). While previous studies emphasize implementation gaps, this research shows that the law itself structurally neutralizes zakat's fiscal significance. Consequently, the legal system loses internal moral coherence, weakening state legitimacy and eroding trust among religiously compliant taxpayers.

3. Maqashid al-shariah and the failure to protect wealth

This study further finds that the deduction system is incompatible with the objectives of maqashid al-shariah, particularly *hifz al-mal* (protection of wealth) and equitable circulation of resources. Zakat, which carries spiritual and social imperatives, is reduced to an operational expense that only marginally affects taxable income. While Nikmah (2022) critiques instrumental approaches to Islamic law in general terms, this research advances her argument by demonstrating how such instrumentalism is concretely embedded in Indonesia's positive law (Nikmah, 2022). The findings show that treating zakat as a deductible expense weakens its redistributive function and limits its role in poverty alleviation and preventing recurrent economic vulnerability (*idtirar*) (Thamrin et al., 2023). By contrast, Malaysia's rebate mechanism aligns more closely with maqashid al-shariah by eliminating the double burden and providing just fiscal incentives (Pratama et al., 2024).

4. Legal pluralism and marginalization of religious norms

Within Indonesia's pluralistic legal system, this study finds that zakat remains normatively marginalized rather than equally integrated. While Rahmatullah (2021) and Shifah and Nasution (2025) emphasize the coexistence of multiple legal orders, this research modifies their conclusions by demonstrating that coexistence does not guarantee normative equality (Rahmatullah, 2021; Shifah & Nasution, 2025). The findings reveal that zakat is positioned as a supplementary norm subordinate to taxation, reflecting minimalist accommodation rather than substantive pluralism (Rachmad, 2025). This study argues that reconstructing zakat as a tax rebate would reposition religious obligations on an equal normative footing with state fiscal duties, thereby strengthening legal pluralism in a multicultural and multi-religious society.

Taken together, these findings demonstrate that the shift from a deduction based system to a rebate based system is not merely a policy preference, but a normative necessity. From the combined perspectives of Rawlsian justice, Fuller's legal morality, maqasid al-shari'ah, and legal pluralism, reformulating zakat-tax regulation through revisions to the Income Tax Law and the Zakat Management Law is required to establish a fiscal system that is just, coherent, legitimate, and aligned with the substantive values of Indonesian society.

### **Comparative Analysis of Zakat and Tax integration between Indonesia and Malaysia**

This study finds that the fundamental difference between zakat-tax integration in Indonesia and Malaysia lies not merely in technical administration, but in the normative status accorded to zakat within the fiscal system. As summarized in Table 2, Indonesia's deduction scheme positions zakat as a deductible expense that marginally reduces taxable income, whereas Malaysia's rebate scheme treats zakat as a tax credit that directly reduces tax payable. This distinction has far-reaching implications for fiscal justice, compliance, and legal recognition of religious obligations. To clarify these normative, institutional, and fiscal differences, Table 2 presents a comparative overview of zakat-tax integration frameworks in Indonesia and Malaysia.

**Table 2.** Comparison of Zakat-Tax Integration Framework in Indonesia and Malaysia

Component	Deduction Scheme (Indonesia)	Rebate Scheme (Malaysia)
Main Regulations	Law No. 23/2011, Government Regulation No. 60/2010, Income Tax Law (Article 9)	Income Tax Act 1967, Section 6A (3) 44 (11A)
Technical Mechanism	Zakat reduces taxable income (not tax payable); manual reporting in annual tax return	Zakat directly reduces tax payable; automatically integrated into e-filing system
Managing institutions	BAZNAS and LAZ, not fully integrated with the directorate General of Taxes (DGT)	Inland Revenue Board (LHDN) and state Islamic Religious Councils; digitally Integrated
Data Integration	Partial; no single zakat-tax data gateway	Real-time synchronization of zakat data with national tax system
Compliance Level	Zakat compliance below 20% Muslim tax compliance fluctuates	Zakat compliance exceeds 70% in several states; tax compliance is consistently high
Fiscal Justice Impact	Double burden persists; unequal treatment among taxpayers	Double burden eliminated; hinger level of fiscal justice achieved

As shown in Table 2, Malaysia's rebate scheme institutionalizes zakat as a substantive fiscal obligation by directly reducing tax payable, eliminating the double burden, and integrating zakat administration with the national tax system. In contrast, Indonesia's deduction scheme limits zakat to a reduction of taxable income, maintains separate institutional structures, and consequently sustains fiscal inequality and low zakat compliance.

An examination of Table 2 indicates that Malaysia's rebate system effectively operationalizes the principle of no double burden. Empirical data showing zakat rebate claims of approximately RM 2.5-3 billion between 2020 and 2023 (Rahim et al., 2024) suggest that the rebate mechanism functions not merely as a fiscal incentive, but as institutional recognition of zakat as a normative obligation with concrete legal consequences. This finding demonstrates that fiscal justice and state revenue protection are not mutually exclusive.

The findings of Ahmad and Saiful (2021), which show that religiosity and halal haram awareness significantly influence positive perceptions of zakat rebates, have important implications for Indonesia (Ahmad & Saiful, 2021). When interpreted in the Indonesian context, these findings suggest that low zakat compliance is not primarily driven by weak religious motivation, but by institutional designs that fail to translate religious compliance into tangible fiscal benefits. This interpretation aligns with Inayah et al. (2022), who argue that fiscal systems aligned with religious norms generate higher voluntary compliance. Rather than contradicting Indonesian studies, Malaysian evidence modifies and extends them by highlighting the decisive role of legal incentives and system architecture (Inayah et al., 2022).

By contrast, under Indonesia's deduction scheme, Muslim taxpayers who have fulfilled their zakat obligations remain fully liable for income tax. This structural condition confirms and deepens Nikmah's (2022) critique, demonstrating that the deduction model fails to operationalize zakat as an effective instrument of *hifz al-māl* (protection of wealth) (Nikmah, 2022). From a comparative perspective, the Malaysian rebate model illustrates that treating zakat as a tax credit rather than a deductible expense can enhance fiscal justice without undermining state revenue.

This comparative analysis also reinforces existing scholarship on Indonesian legal pluralism. While Rahmatullah (2021) and Shifah and Nasution (2025) emphasize the coexistence of religious and state legal orders, this study advances their arguments by demonstrating that coexistence does not guarantee normative equality (Rahmatullah, 2021; Shifah & Nasution, 2025). The Indonesian deduction model reflects an asymmetrical pluralism in which religious norms are acknowledged but subordinated within the fiscal hierarchy. In contrast, Malaysia's rebate system illustrates how religious norms can be integrated as constitutive elements of fiscal law rather than supplementary accommodations.

From the perspective of legal pluralism, Malaysia's experience shows that religious norms can coexist with state law without sacrificing institutional autonomy. This finding is consistent with Saini (2024), who emphasizes that rebate mechanisms allow religious obligations to operate on an equal footing with positive law (Saini, 2024). However, this study critically argues that while Malaysia's model emerged within a federal and Muslim-majority context, its core principles elimination of double burden and institutional integration are adaptable to Indonesia's plural legal system, provided that appropriate regulatory safeguards and institutional coordination are established.

### **Paradigm Reconstruction Model: From Deduction to Rebate**

This study finds that reconstructing zakat-tax integration in Indonesia requires a paradigmatic shift from the existing deduction scheme to a rebate-based model grounded in substantive justice. This shift is not merely technical, but normative, as it repositions zakat from a peripheral fiscal adjustment into a core component of national fiscal justice. The proposed transition from deduction to rebate is summarized in Table 3.

**Table 3.** Proposed Reconstruction of the Zakat-Tax Integration Model in Indonesia

Aspect	Deduction (Indonesia)	Rebate (Malaysia)	Proposed Reconstruction in Indonesia
Mechanism	Reduction of Taxable income	Reduction of Tax payable	Rebate integrated with the DGT
Justice Impact	Double burden persists	No Double Burden	Substantive Justice
Compliance Level	Low	High (70%)	Estimated increase of 50% - 60%
Main Challenge	Discrimination	Transparency	Institutional integration

As shown in Table 3, the proposed rebate model directly addresses the structural weaknesses of the deduction system by eliminating the double fiscal burden, improving compliance incentives, and integrating zakat administration with the Directorate General of Taxes (DGT). Unlike the current deduction scheme, which merely reduces taxable income, the rebate model allows zakat to directly reduce tax payable, thereby operationalizing substantive equality within the fiscal system. This study proposes an integrated rebate model based on functional collaborative institutional integration. Zakat payments are made through authorized institutions such as BAZNAS or officially recognized LAZ, which are digitally connected to the DGT through standardized verification and reporting systems. This design ensures transparency, traceability, and administrative accuracy while preserving the religious and social autonomy of zakat institutions.

Unlike Albab (2024), who advocates full institutional integration by placing both zakat and tax collection under the Directorate General of Taxes with redistribution centralized within the Ministry of

Finance, this study revises that approach. The present research argues that full institutional merger risks over-secularizing zakat administration. Instead, a functional collaborative model is proposed, in which fiscal recognition is achieved through automated tax rebates, while zakat institutions retain their normative and organizational independence (Albab, 2024). This study also develops Mas'udi's (2019) theoretical argument that conceptualizes zakat as a form of taxation and critiques the artificial separation between zakat and tax institutions. While Mas'udi's contribution remains largely philosophical, this research advances his ideas by offering a concrete regulatory and technological framework that enables integration without collapsing the distinct normative foundations of zakat and state taxation (Mas'udi, 2019).

At the same time, this study revises the assumption common in some policy debates that zakat and taxation must be managed entirely separately to preserve religious authenticity. The findings demonstrate that strict institutional separation has instead hindered automatic reporting, reduced fiscal efficiency, and weakened zakat's redistributive impact. Contrary to this view, the study argues that technological and administrative integration is not only feasible, but necessary in the context of contemporary digital governance. Consistent with Saini (2024), this study confirms that institutional integrity positively influences public compliance. However, the present research advances this argument by demonstrating that integrity must be structural rather than merely ethical. Effective compliance requires interoperable databases, legally mandated data-sharing mechanisms, and standardized reporting protocols between zakat institutions and the DGT (Saini, 2024).

Finally, while this study reinforces the findings of Dasri (2024) and Lahuri et al. (2023) regarding the importance of transparency, credibility, and legal certainty, it goes further by showing that compliance incentives embedded within legal structures such as tax rebates are more decisive than moral appeals alone (Dasri, 2024; Lahuri et al., 2023). In this sense, the proposed rebate model represents not only a policy reform, but a structural incentive system capable of aligning religious compliance with state fiscal objectives.

### Institutional and Regulatory framework supporting the Rebate Model

To support the transition from a deduction-based system to a rebate-based model in Indonesia's zakat-tax integration, a robust institutional and regulatory framework is required. This framework must ensure transparency, administrative efficiency, and substantive fiscal justice. Figure 1 illustrates the proposed conceptual model for rebate-based zakat-tax integration in Indonesia.

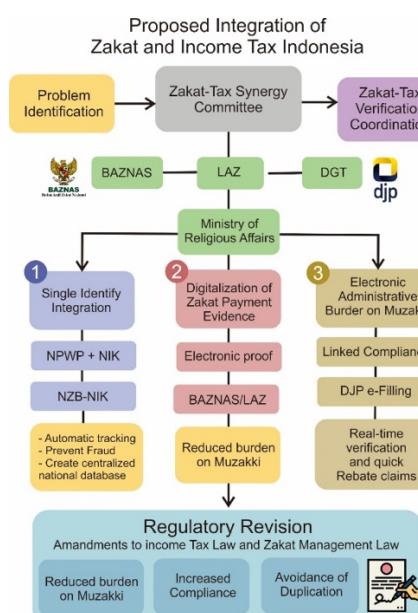


Figure 2. conceptual framework for Rebate-Based zakat-tax integration in Indonesia

The proposed model places a Zakat–Tax Strategy Committee as the central coordinating body. This committee involves BAZNAS, authorized LAZ, the Ministry of Religious Affairs, and the Directorate General of Taxes (DGT). Its primary function is to coordinate the verification of zakat payments as tax credits. Through this coordination, administrative duplication can be avoided and muzakki compliance can be strengthened through inter-institutional synergy. To support effective coordination, the model proposes the implementation of a single identity number system. This system integrates the Taxpayer Identification Number (NPWP) with a zakat identification number linked to the National Identity Number (NIK). Such integration enables automatic tracking of zakat and tax payments, reduces the risk of fraud, and ensures nationally integrated data management. This approach reflects Malaysia’s centralized zakat data system, which has proven effective in improving fiscal efficiency.

In addition, the digitalization of zakat payment receipts is a key component of the proposed framework. Zakat payment receipts issued by BAZNAS or authorized LAZ are directly connected to the DGT’s e-filing system. This digital linkage simplifies and accelerates the rebate claim process, as electronic proof of payment can be verified in real time. As a result, accessibility for Muslim taxpayers is improved and administrative accuracy is enhanced within an integrated fiscal platform.

To legally enable this institutional model, statutory reforms are necessary. Amendments to the Income Tax Law (UU PPh) and the Zakat Management Law (Law No. 23 of 2011) are required to explicitly recognize zakat as a direct reduction of tax payable, rather than merely a deduction from taxable income. Such reforms are consistent with the principles of *siyāsah māliyyah* (Islamic fiscal policy) and strengthen the position of zakat within Indonesia’s plural legal system. Overall, this institutional and regulatory framework aims to create an inclusive fiscal ecosystem in which zakat–tax integration functions not only as an administrative mechanism, but also as a substantive policy instrument. Through this framework, zakat can more effectively contribute to poverty reduction, equitable wealth distribution, and sustainable fiscal governance.

## **Conclusion**

This study concludes that the problem of zakat–tax integration in Indonesia is fundamentally normative and paradigmatic, rather than merely technical or administrative. The current tax deduction mechanism positions zakat as a supplementary fiscal element, creating a structural double burden for Muslim taxpayers and undermining distributive justice, legal legitimacy, and substantive equality. From the perspectives of justice theory, Fuller’s inner morality of law, *maqāṣid al-sharī‘ah*, and legal pluralism, the deduction system fails to recognize zakat as a fiscal obligation with normative weight equivalent to taxation. The novelty of this study lies in demonstrating that the core weakness of zakat–tax integration in Indonesia is rooted in the normative construction of zakat within positive law, not in administrative inefficiency. Comparative analysis with Malaysia shows that a zakat–tax rebate model provides a more coherent and just framework by allowing zakat to directly reduce tax payable, thereby eliminating the double burden without weakening state revenue authority. Theoretically, this study contributes to Islamic fiscal law and legal pluralism by reconstructing zakat as a substantive fiscal institution. Practically, it offers a policy-oriented roadmap through legal reform, institutional collaboration, and integrated digital governance to strengthen fiscal justice and compliance in Indonesia.

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