

The Employees' Awareness on the Monthly Zakat Deduction Scheme in Terengganu

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Abstract

Although the obligation to pay zakat out of a Muslim's income has been decreed, there are still a large number of Muslims who do not fulfill this obligation. One of the contributing factors in fulfilling this obligation is the role played by the employers. The importance of this factor until now seems to only be considered in Kedah where the authority has issued a circular compelling all employers to deduct zakat payment from their Muslim employees' monthly salary. Therefore the understanding of the employers on their role is very important. Their understanding will lend a helping hand in executing this important duty. Therefore this study is initiated to ensure the employers' perspective towards implementing zakat deduction from monthly salary and to identify factors that influence them to provide or not to provide this facility i.e. the monthly zakat deduction in their company. In this study, survey was conducted among respondents selected from 3000 employers chosen by convenience sampling. A set of questionnaire has been used in order to collect data related to demography, perspective, role and factors influencing the respondents using nominal, ordinal and likert scale. Data gathered has been analyzed using the descriptive and factor analysis. The research shows that the employers' awareness in carrying out their religious duties will assist the establishment of the monthly zakat deduction facility. The research also shows that a closer relation must be established between the employers and MAIDAM (*Majlis Agama Islam dan Adat Melayu Terengganu*). MAIDAM itself must carry out a more aggressive outreach programs in order to facilitate the employers and employees in fulfilling their obligation in paying zakat out of their salary income. It is hoped that the finding of this study will help in eliminating the problem of non-obedient in paying zakat out of salary income and providing the authorities with ideas to improve the existing policy of zakat.

Keywords: Zakat, Salary Income, Employee

Introduction

Zakat collection on salary income often becomes an issue in Malaysia. Even though the *fatwa* on the obligation of zakat has already been issued a long time ago, there are still many who just ignore it (Idris, 2009). There were lots of researches done on zakat payment from salary income to determine factors that contribute to this ignorance. At the same time, one of the elements that would be capable of contributing to a significant change in compliance to the payment of zakat on salary has not received adequate attention. That element is the employers' awareness regarding the obligation to pay zakat on salary income of employees in their organization. The role of employers can actually have a great impact on their employees' compliance to the obligation to pay zakat on salary income. Among roles that can be played by employers is to provide a monthly zakat deduction scheme for salary income just like scheduled tax deduction. In fact, the importance of employers in undertaking this responsibility has begun to gain the attention of the authorities. For example, in Kedah, a circular was issued to make zakat payments through salary deductions a compulsory for muslim employees in government and statutory bodies as well as subsidiaries of the state government (*Jabatan Zakat Kedah*, 2010). Even so, in other states including Terengganu, such a circular has not been produced. This study intends to identify employers' perceptions regarding the obligation to pay zakat out of their employees' salary. It also looks at the employers' role in payment of zakat on salary income as well as factors that influence or inhibit employers from providing facilities for montly deductions of salary zakat.

This study surveys to see how far the respondents play their role in monthly salary deductions for zakat on salary for Muslim employees in their organizations. The research sample is made up of employers in Terengganu selected through convenience sampling. One set of questionnaires is used to gather data on the understanding and roles of respondents with regards to zakat on salary income using nominal and likert scales. The data gathered been analysed using descriptive analysis and factor analysis as determined in the *Statistical Package of Social Sciences for Windows* (SPSS) program. Descriptive analysis was used to determine frequency, Measures of Central Tendencies (mean median dan mode) and Measures of Dispersion (range, standard deviation and variance). Factor analysis was used to arrange factors (variables) in various main categories that are more meaningful and interpretable as well as being arranged in order of importance, that is the main contributing factors to the employer's role in implementing monthly deductions for payment of zakat on salary income.

Zakat on Salary Income

Today, salary is an important source of income. Even though the majority of contemporary ulama such as Abd al-Rahman Hasan, Abd al-Wahhab Khallaf dan Muhammad Abu Zahrah (Al-Ghazali, 1987) believe that income from salary is subject to zakat, there is still disagreement amongst them in determining *nisab*, rate and whether there is a conditional *hawl* in this income zakat obligation.

With regards to *nisab* on salary income, the scholars' opinions can be grouped into two. The first is the opinion that says the *nisab* on salary income is the same as *nisab* on money. One of the scholars that are of this opinion is al- Qaradawi. This opinion is based on today's practices where salary payments are made in the form of money (Al-Qaradawi, 1986). On the other hand, al- Ghazali (1987) believes that *nisab* on salary income is the same as *nisab*

on agricultural products. He believes that whosoever earns an income that is not less than that of a farmer who is obliged to pay zakat, can be charged to pay zakat. This means, whosoever earns an income of five *ausuq* (300 pots) must pay their zakat. Aside from the above problem, ulama also disagree on the time of *nisab*. Does it start from when the salary was received or when the *hawl* is achieved?

According to al-Qaradawi (1986), there are two opinions on this matter. The first is that the *nisab* is determined when the payment is received. This means that it will be determined every month when employees receive their salaries. If it fulfils the *nisab*, then zakat must be paid from it and if not, then zakat need not be paid. This is also the view of Ibnu Abbas, Ibn Mas'ud, Mu'awiyah and 'Umar ibn 'Abd al-'Aziz. The second opinion is that the person receiving the salary must wait until the *hawl* is achieved. If all that is received within a year reaches *nisab*, then zakat needs to be paid from it. Some basis for this opinion include the words of 'Ali and Ibn 'Umar (Ibn Hazm, t.t.) who show that anyone receiving any property will not be required to pay zakat until the *hawl* is achieved. This view is also strengthened by arguments brought forth by ulama in the matter of agricultural produce harvested more than once a year (Ibn Qudamah, 1972).

In this issue, al-Qaradawi (1986) preferred the opinion that any income achieves *nisab* when received, zakat needs to be paid from it immediately without delay i.e. without having to wait until the *hawl* is achieved. This is also the view of al-Zuhri (Ibn Abi Shaybah, 2004) and al-Awza'i (Ibn Qudamah, 1972). On the other hand, income that does not reach *nisab* when received, needs to be accumulated until its *hawl* is complete. If it reaches *nisab*, then zakat would be obligatory on it and if not, then no zakat needs to be paid (Ibn Abi Shaybah, 2004).

There was also *fatwas* (Islamic legal rulings) relating to the obligation of zakat on income. Among them is the fatwa published in the Selangor Government gazette where it is clearly stated that income zakat is obligatory on the Muslim ummah. This fatwa also instructs all Muslims who live or work in Selangor to pay this zakat to the *Pusat Zakat Selangor* (Selangor Zakat Center). The state of Malacca also has issued a more specific fatwa, which is regarding zakat on salary. This fatwa gazetted 25th May 2000 states that for the entire state of Malacca, zakat on income from salary is obligatory on all Muslims who qualify. Another example is in the Federal Territory where a wider scope is indicated where it is stated that zakat is obligatory for Muslims on salary income, including any wage, salary, allowance, remuneration and bonus. This fatwa was gazetted on 29th April 1999. In Johore, even though there is no fatwa issued regarding zakat on salary, in one of its decisions it clearly also makes it compulsory. Among the fatwa decisions that was not gazetted was "it is obligatory to pay zakat from salary and income when all conditions are met". This decision was issued on 17th April 2000.

Abiding to the Obligation to Pay Zakat on Salary

The tendency to pay zakat on salary is influenced by a person's knowledge of this matter. The more someone knows about salary zakat, the higher their tendency to abide by this obligation. An employee's observance of this obligation is also greatly determined by their exposure to promotions with regards to this particular zakat. A higher level of exposure will result in employees having a higher tendency towards obedience. Even though in his study, Kamil Md Idris (2009) concluded that a Muslim employee's exposure to zakat promotion is

very low, hence he suggested that the zakat institution redouble its efforts to promote awareness amongst Muslim employees on their obligation to pay salary zakat. Aside from the two factors above, perception of Muslim workers on the quality of zakat services and the zakat institution itself is also a factor. The more positive an employee's perception regarding the quality of the zakat institution, the higher their tendency to fulfil their obligation in paying the zakat.

The situation is the same with perception of payees about zakat laws. The more positive the perception, the more inclined a person is to fulfil this obligation (Idris, 2009). Mohd Ali Mohd Nor, Hairunnizam Wahid and Nor Ghani Mohd Nor (2004) believe that factors of *iman* (faith) and knowledge about zakat are influencers on payment of income zakat. They conclude that the higher a person's *iman* and knowledge of zakat, the more inclined is a Muslim individual to pay the zakat on income. Therefore, they suggest that in addition to endeavors to directly increase the understanding and knowledge regarding income zakat, other programs that can increase and maintain the levels of *iman* are also important.

In *Zakat Gaji dan Pendapatan Bebas* (Zakat on Salary and Free Income), Abdul Rashid Dail (1979) concluded that zakat on salary and free income if well implemented is able to produce a large ratio of zakat collection and capable of performing its functions to shape a community's socio economy.

Findings

The data gathered was analysed using descriptive and factor analyses as available in the program *Statistical Package of Social Sciences for Windows* (SPSS). Descriptive analysis is used to determine frequency, Measures of Central Tendencies (mean median and mode) and Measures of Dispersion (range, standard deviation and variance). Factor analysis is used to arrange factors (variables) into several meaningful and interpretable categories according to priority, which is the main factor that contributes to the role of employers in implementing monthly deductions for zakat on salary income.

250 survey forms were distributed and from this number only 167 were returned. However, only 164 of the returned forms were used for the analysis because 3 of them were incomplete. This section will discuss reliability tests for the measurement scales used, descriptive analysis for the demography section and the use of average distribution (min) for section I.

Reliability Testing

To determine measurement scales, reliability testing was conducted. For this purpose, the *cronbach's alpha* test was used. This test was conducted for all twenty questions using the likert scale, which is from absolutely agree to absolutely disagree to see the role of employers in monthly deductions for zakat. This test shows an alpha value of 0.718 obtained using this test. This shows that the reliability of the scale used for measurement is approximately average. Schedule 1 shows items in the survey that has been analysed.

Schedule 1

Items Using the Likert Scale

No	Question
1	Need to provide facilities for scheduled deductions of salary zakat
2	It should be made compulsory for employers to provide scheduled deductions of salary zakat.
3	Employers should be compensated by religious authorities
4	Employers are regarded as not serious in implementing Islamic commandments (rukun)
5	Deductions of salary zakat is the responsibility of employers
6	Deductions of salary zakat is the responsibility of employees
7	Providing facilities is the responsibility of employers
8	Zakat on salary is not obligatory
9	Fines for employers who do not make deductions for salary zakat
10	Tax deductions is the same as zakat deductions
11	Zakat on salary needs to be made compulsory
12	Role of religious authorities
13	Sending representatives to explain to employers
14	Explanations regarding the role of employers
15	Legislating Acts.
16	Fines on employers who do not provide facilities for deduction of zakat on salary
17	The role of SSM in giving explanations to employers regarding the responsibility of paying zakat.
18	Religious authorities need to organize workshops on zakat awareness.
19	Insufficient information
20	Education in schools and institutions

Survey forms were used in this study. Schedule 3 shows the location of respondents. From the total number of respondents, 92 (58.1%) were from Kuala Terengganu, 12 (7.3%) from Besut and Setiu, 20 (12.2%) were from Hulu Terengganu, 4 (2.4%) from Marang, 32 (19.5%) from Kemaman and 4 (2.4%) from Dungun. Schedule 2 shows the respondents' locations.

Schedule 2

Respondents' Locations

	No	Percentage
Kuala Terengganu	92	56.1
Marang	4	2.4
Dungun	4	2.4
Kemaman	32	19.5
Hulu Terengganu	20	12.2
Besut & Setiu	12	7.3
Total	164	100.0

Schedule 3 shows the background of respondents such as gender, level and line of education, religion and type of company.

Schedule 3

Respondents' Background

	No	Percentage
Gender		
Male	124	75.6
Female	40	24.4
Total	164	100
Level of Education		
STPM	28	17.1
Diploma	32	19.5
Degree	96	58.5
Others	8	4.9
Total	164	100.0
Line of Education		
Religious	44	26.8
Science	120	73.2
Total	164	100
Religion		
Muslim	164	100
Non-muslim	0	0
Total	164	100
Type of Company		
Sole Proprietorship	44	26.8
Partnership	32	19.5
Statutory Bodies	4	2.4
Private Limited (Sendirian Berhad)	60	36.6
Limited (Berhad)	16	9.8
Private (Swasta)	8	4.9
Total	164	100.0

General Knowledge Regarding Zakat And Zakat On Salary Income

The tendency to pay salary zakat is influenced by a person's knowledge about it. The more a person knows about salary zakat, the higher their tendency to comply. Schedule 4 shows:

Schedule 4

General Knowledge on Zakat and |Zakat on Salary

	No	Percentage
Zakat is one of the tenets / commandments of:		
Iman	36	22
Islam	124	75
Not sure	4	2.4
Total	164	100
Paying of zakat for those who fulfil the criteria is:		

Wajib	164	100
Sunat	0	0
Total	164	100
Zakat on salary is the same as zakat on business		
Yes	4	2.4
No	124	75.6
Not sure	35	22
Total	164	100
Payment of zakat on salary is the same as paying tax on salary		
Yes	20	12.2
No	128	78
Not sure	16	9.8
Total	164	100
Nisab for salary zakat is the same as nisab on the zakat for gold and silver		
Yes	88	53.7
No	52	31.7
Not sure	24	14.6
Total	164	100
Ratio for salary zakat is 2.5%.		
Yes	136	82.9
No	4	2.4
Not sure	24	14.6
Total	164	100
Ratio on salary zakat can change just like income tax on salary		
Yes	8	4.9
No	128	78
Not sure	28	17.1
Total	164	100
There are two ways to calculate zakat on salary		
Yes	60	36.6
No	28	17.1
Not sure	76	46.3
Total	164	100

The Role Of Employers In Payment Of Zakat On Salary Income.

From the survey provided, it is found that most employers do not provide facilities in their companies for monthly deductions to pay zakat on salary. Only 36 companies actually make monthly deductions for salary zakat for their employees. Only 12.2% of employers provide talks on the importance of paying zakat on salary to their employees and have contacted MAIDAM to obtain advice. However, more than half of the employers (58.5%) know that MAIDAM provides advisory services regarding zakat on salary. Even though only some

employers provide facilities for salary deduction to their workers to pay zakat on salary, 152 (92.7%) believe that paying the zakat is more important than paying taxes.

Schedule 5

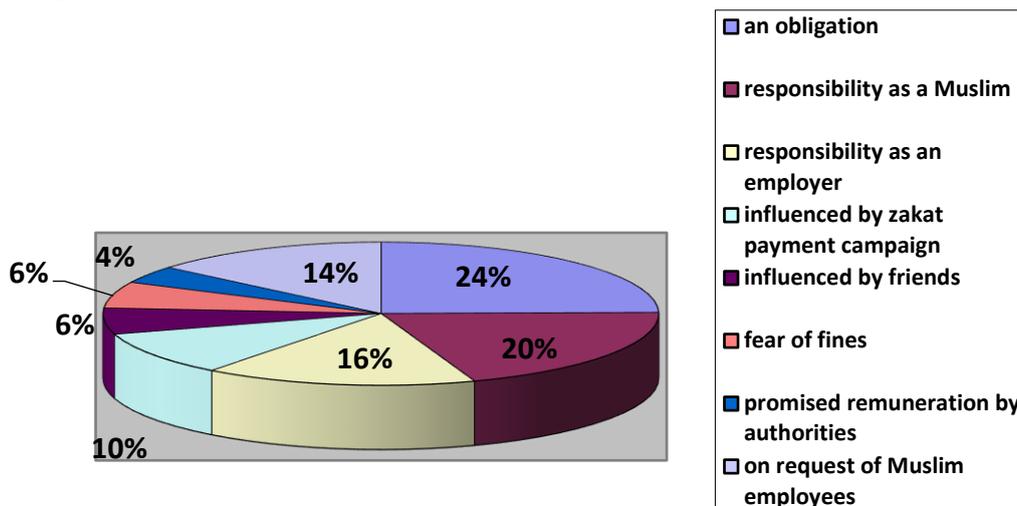
Role of Employers in Payment of Zakat on Salary Income

Provides facilities for Monthly Zakat Deduction	No	Percentage
Yes	36	22
No	126	78
Total	164	100
Invites MAIDAM to give Talk on Salary Zakat	No	Percentage
Yes	20	12.2
No	144	87.8
Total	164	100
Knows that MAIDAM provides advisory services regarding zakat on salary.	No	Percentage
Yes	96	58.5
No	68	41.5
Total	164	100
Paying the zakat is more important than paying taxes	No	Percentage
Yes	152	92.7
No	12	7.3
Total	164	100

Factors That Influence Employers To Provide Salary Deduction Facilities For Payment Of Zakat On Salary

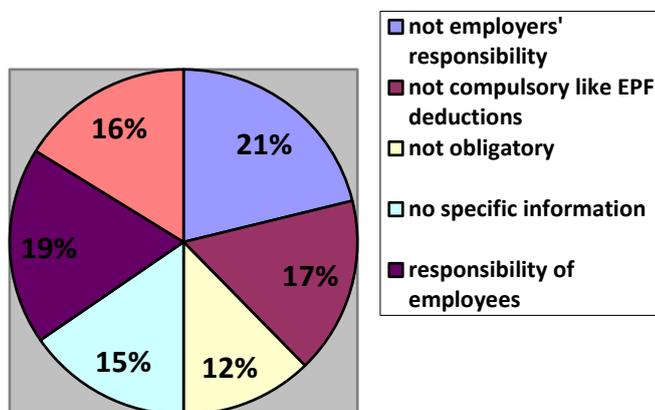
Figure 1 below shows factors why deductions for zakat on salary was provided. Most companies feel that it is a responsibility and obligation as a Muslim.

Figure 1



Factors That Deter Employers From Providing Facilities For Monthly Deductions On Salary Zakat

Figure 2



Conclusion

This study has found that most employers do not provide facilities for salary deduction for zakat in their companies. Only 36 companies actually make monthly deductions on zakat for their employees. In the context of the employers' role in providing monthly deductions facilities for their employees to pay zakat on salary, only 12.2% of employers have organized talks on the importance of paying zakat on salary to their employees and have contacted MAIDAM to obtain advice, even though the number of employers who know that MAIDAM provides advisory services regarding zakat on salary is actually more than half: 58.5%. In

terms of awareness regarding the importance of paying the zakat, 152 (92.7%) feel that paying zakat is more important than paying taxes. Among the factors that motivate employers to make monthly deductions for zakat on salary in order of their strength are as follows: it is an obligation (24%), responsibility as a Muslim (20%), responsibility as an employer (16%), request of Muslim employees (14%), influenced by zakat payment campaigns (10%), influenced by friends (6%), afraid of being fined (6%), promised remuneration by authorities (4%). Whereas factors that inhibit employers from making monthly deductions for zakat on salary in order of their strength are as follows: not employers' responsibility (22%), it is the responsibility of employees (18%), not compulsory like EPF contributions (17%), no punishment or fines enforced (16%), no specific information (15%) and not obligatory (12%). This study concludes that, the tendency to pay zakat on salary is influenced by a person's knowledge regarding it. The deeper a person's knowledge regarding zakat on salary, the higher is their tendency to comply. Aside from that, it can also be concluded that an employer's awareness regarding responsibilities that they can carry out in driving their employees' compliance to paying their zakat on salary is very important. Thus it is proposed that relevant authorities should organize more explanatory sessions and talks especially to employers who certainly have a significant influence on implementing monthly deductions for zakat on salary of their employees.

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