

## **ANALYSIS OF NEW HADDUL KIFAYAH ON INCOME ZAKAT IN KEDAH STATE**

**<sup>1</sup>Mohd Adib Abd Muin, <sup>2</sup>Mohd Sollehudin Shuib <sup>3</sup>Azizah Che Omar**

<sup>1,2</sup> Institut Penyelidikan & Inovasi Zakat (IPIZ UUM), Universiti Utara Malaysia, Kedah.

<sup>3</sup> School of Technology Multimedia & Communication (SMMTC), Universiti Utara Malaysia

mohdadib@uum.edu.my

### **ABSTRACT**

This study focuses on the new rate of haddul kifayah on income zakat in the state of Kedah. Lembaga Zakat Negeri Kedah (LZNK) are responsible to determine the limits of haddul kifayah zakat especially on the income zakat for Kedah state. The rate of haddul kifayah is a measure of the adequacy of the individual to incur expenses for the basic needs of the person and the member under his dependence for basic life. The haddul kifayah method in income zakat is currently based on the estimated income tax from the Inland Revenue Board (IRB) and the Poverty Line Income (PGK) issued by the Department of Statistics, Malaysia. Since the current economic level is so high with various costs and prices rising, the study of the effect of new haddul kifayah in zakat income needs to be done so that this re-examination can attract more paying zakat payers. Hence, the objective of this study is to analysis of new haddul kifayah on income zakat in Kedah. The methods for this study are qualitative method, comparative analysis, library method and the analysis of the contents of the previous studies and refers to the Qur'an and Hadith. The findings of this study show that there are some implications that occur when the new haddul kifayah is implemented. Therefore, scientific discussions will be discussed in this paper.

**Keywords:** Analysis, Haddul Kifayah, Income Zakat, Kedah State.

### **INTRODUCTION**

Zakat is one of the pillars of Islam that every Muslim must observe. The obligation to pay this zakat has begun since the second year of migration. Among the words of Allah Almighty recorded in the Qur'an are:

*"O you who believe, bestow (in the way of Allah SWT) some of the fruit of your good efforts and some of what We have brought out of the earth for you"*

(Translation of Surah al-Baqarah: 267)

Allah Almighty explains that all "the fruits of your labor" must be taught. Therefore, for anyone who makes eating a paycheck a profession, it is also part of the 'hard work' that is required. The word of the Messenger of Allah (PBUH) means:

*"It is a duty on every Muslim to give alms (alms)". They asked, "O Messenger of Allah, how can there be no treasure?" He replied, "Work to earn something for yourself and give." They asked, "If you don't have a job?". He said, "Help those who call for help." They ask again, "What if it's out of control?". He replied, "To do good and to forsake evil is to give alms."*  
(Hadith of Muslim history)

Haddul kifayah is a minimum basic requirement based on current cost of living (JAWHAR, 2009). The meaning of kifayah is sufficient or sufficient for what is most important to him, or what is sufficient for life (Ibn Manzur, 1992). Whereas in terms of the word haddul kifayah means the expenditure necessary to meet the needs of living by taking into account the average level of life in the community whether from the point of prosperity and wealth of a community (al-Maloari, 2010). It is based on a well-known hadith about a haddul kifayah that shows the comparison between the poor and the rich and can assess the individual's level of sufficiency to be eligible for a zakat fund. Among them, as described in the hadith of Prophet Muhammad, which means:

*"It is not called a poor man if he asks for a man and enough for a bribe and two bribes, one loaf and two tamarinds; stand up, beg people"*

(Hadith History of al-Bukhari, Kitab al-Zakah, 2/125)

Imam al-Mawardi (t.t) in the book of al-Ahkam al-Sultaniyyah has established that the rate of zakat is calculated based on the adequacy of it is divided into three forms:

- i. The number of individuals to whom he or she is subject and dependent.
- ii. The number associated with it from horse (rider) and laborer.
- iii. A place that determines the height or the bottom of a value or price (different place or country then different value and price).

For those whose income exceeds the level of haddul kifayah then they are a group of rich people who are capable and obligated to perform zakat according to the qualifications set by the state zakat institution. In accordance with the guidelines issued by JAWHAR 2009, the

basic components of the haddul kifayah are as follows:

- i. Food - The basic food and beverage that a person needs or eats and the dependents that meet his or her basic needs.
- ii. Clothes - Clothes that are needed by an individual and their dependents that meet basic needs.
- iii. Protection - Personal and liability protection covers home rent or installment payments, water bills, and electricity as well as everything related to the basic needs of a home based on minimum requirements.
- iv. Medical - Refers to all forms of medical, ordinary treatment, purchase of common medicines, purchase of common medical equipment, minor treatment from any medical center and other alternative treatments.
- v. Education - Refers to the form of Education, the expenses of Education fardu ain, the expenses related to Personal education, family members in pre-school, primary, secondary, college and university. It also covers such Education-related requirements as purchasing equipment for learning.
- vi. Obligations - All expenses related to paid person (freight) by an individual and his dependents as well as those required by the syariah

According to Azman Ab Rahman et. al., (2017) Dedicated to not only looking at a person's total income but looking at the needs of an individual or a family according to current needs, taking into account the zakat release on property used for self-care needs and those under his care such as his wife, children, parents and siblings. The determination of the deduction rate for zakat payers refers to the method of deduction of expenditure items in which all such deduction items are used as a relief item in the calculation of income tax. Taxpayers are subject to certain types and rates of relief such as personal expenses, education, medicine, insurance, charity and so on.

In general, the items of the *al-kifayah* of zakat which have been discussed by Islamic scholars in accordance with the hadith of the Prophet Muhammad are as follows (Azman Ab Rahman et. El., 2017):

- i. Personal liability includes food, clothing, shelter, transportation / vehicles for personal use, education, medicine, utilities and communications.

- ii. The responsibilities of family members include wives, children and servants (non-existent at this time). Both parents are excluded because of their understanding of the hadith of the Prophet Muhammad which states that giving and fulfilling the parents' needs is included in the category of doing good to both parents.
- iii. Future events include debt due to collateral or resolution of problems and accidents that may occur and require large expenses such as property damage or health reasons.

According to the 2016 poverty line Income Report (PGK), RM970 is defined as household income in urban areas of Peninsular Malaysia and RM830 for rural areas. The PGK is for households of only four people. Based on the tax relief status that the IRB has outlined, an individual can determine their eligibility status and the amount of tax due through the information provided online. In the context of income zakat, there are two requirements that must be met by the individual payer, which must be sufficient haul (time period / year) and nisab (rate) (Mohd Adib et.al., 2019)

**Table 2**

*Income Tax Zeal Incentives in the State of Kedah*

Ownself	RM9,000
Spend for Wife	RM3,000 per person
Son	RM1,000 per person
<b>Total</b>	<b>RM13,000</b>

For individuals who pay zakat who earns more than the minimum of their income, the eligibility for paying zakat should be compared to the current annual charity amount in Kedah of RM15,125.75 (current price of RM177.95 x 85g gold per year 2019). By comparison, not all individuals are eligible to pay zakat income if their net income after deducting personal and dependents expenses is less than the annual zakat deduction. This group is categorized as individuals who do not qualify for income tax as the same approach is used in tax practice in Malaysia.

## METHODOLOGY

As shown in Figure 1, this study implemented two phases. Firstly, this study identified 11 participants which consist of four officers from Lembaza Zakat Negeri Kedah (LZNK), four

persons from academicians, and three people from zakat payers in Kedah state. All of them must have a background in shariah education, economics and Islamic business management.

Then, 11 participants were interviewed in order to get feedback regarding the new rate of haddul kifayah for zakat income in Kedah state. Exploring and understanding the participants requires familiarization, interaction, and observation of the particular setting. Before the interview, the interview questions were developed as depicted in Figure 2.

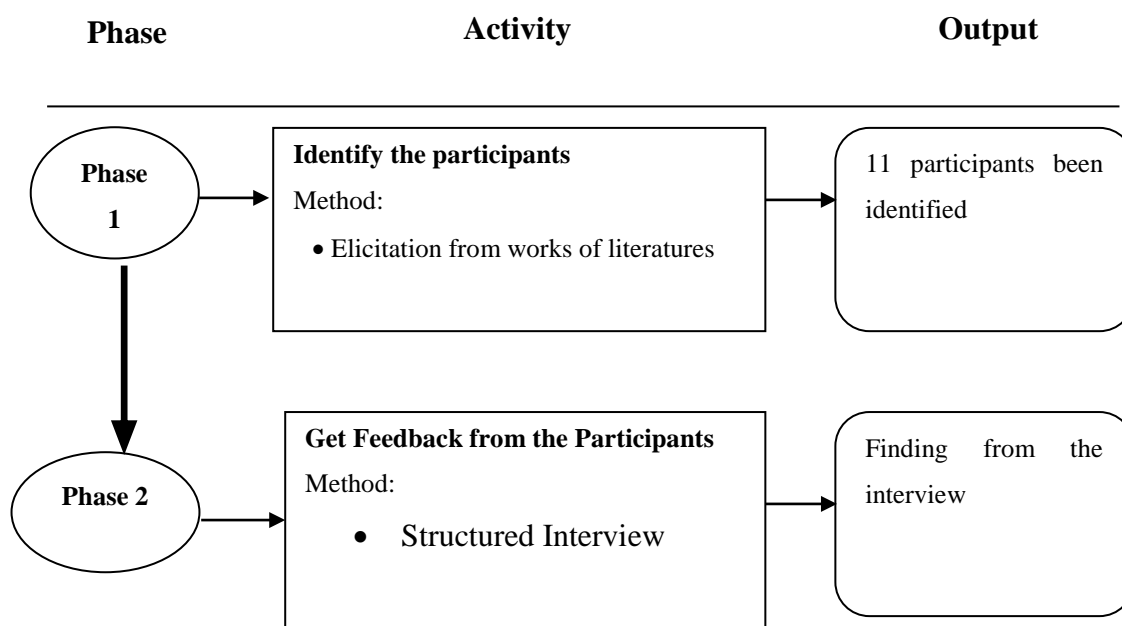


Fig 1. Summary of Phases

### RESULTS/ FINDING

Interviews were conducted to strengthen the needs of this study. The analysis of the interview are as described below:

#### *Interview Session*

The main objectives of this interview are (i) to obtain the opinion from participants regarding the rate of haddul kifayah for income tax in Kedah state, does they agree and satisfied with the current state of income tax deduction items in Kedah state which includes RM9000 for self-employment, RM3000 for wife expenses and RM1000 for child expenses; and (ii) to gather feedback from participants whether they agree if the deduction item for new rate of

haddul kifayah for income tax in Kedah state is being revised with the suggestion of adding some items into the calculation of the new tax deduction. A series of interviews were conducted involving 11 participants who have background in shariah education, economics and Islamic business management. Before the interview, the interview questions were developed, following the phases as depicted in Figure 2.

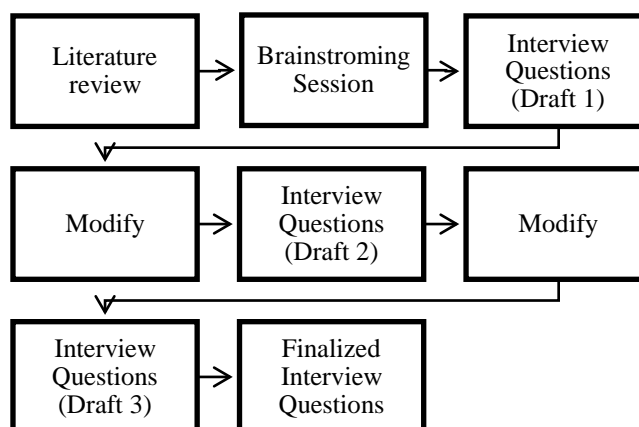


Fig 2. Design of the interview questions

In conjunction, the finalized semi-structured interview questions which consist of 6 questions are listed in Table 1.

**Table 1**

List of Interview Questions

No.	Items
Q1	In your opinion, do you pay income tax in Kedah state?
Q2	In your opinion, do you know about the rate of haddul kifayah for income tax in Kedah state?
Q3	Do you agree with the current state of income tax deduction items in Kedah state which includes RM9000 for self-employment, RM3000 for wife expenses and RM1000 for child expenses?
Q4	Based on your knowledge, are you satisfied with the of haddul kifayah for income tax in Kedah state?
Q5	Based on your knowledge, did you know that the rate of haddul kifayah for income tax in Kedah state same as with the Inland Revenue Board (IRB)?
Q6	In your opinion, do you agree if the deduction item for new rate of haddul kifayah for income tax in Kedah state is being revised with the suggestion of adding some items into the calculation of the new tax deduction as follows: a. Own Self RM12000 a year

- b. A Wife RM5000 a year
- c. A kid RM3000 a year
- d. Pilgrimage Fund (RM200 x 12 Months = RM2400 per year)
- e. Employees Provident Fund (EPF) = RM6000 a year
- f. Education = RM10000 a year
- g. Transportation = RM6000 per year
- h. Disability Relief (Disability) Depreciation = RM3600 a year
- i. Childcare Allowance to Nursing / Caregiver = RM3600 per year

The questions were addressed to investigate the following conditions: (1) whether the participants pay income tax in Kedah state, (2) whether the participants know about the rate of haddul kifayah for income tax in Kedah state, (3) whether they agree with the current state of income tax deduction items in Kedah state which includes RM9000 for self-employment, RM3000 for wife expenses and RM1000 for child expenses; (4) whether they satisfied with the of haddul kifayah for income tax in Kedah state, (5) whether they know that the rate of haddul kifayah for income tax in Kedah state same as with the Inland Revenue Board (IRB), and (6) whether they agree if the deduction item for new rate of haddul kifayah for income tax in Kedah state is being revised with the suggestion of adding some items into the calculation of the new tax deduction such as a. Own Self RM12000 a year, b. A Wife RM5000 a year, c. A kid RM3000 a year, d. Pilgrimage Fund (RM200 x 12 Months = RM2400 per year), e. Employees Provident Fund (EPF) = RM6000 a year, f. Education = RM10000 a year, g. Transportation = RM6000 per year, h. Disability Relief (Disability) Depreciation = RM3600 a year, and i. Childcare Allowance to Nursing / Caregiver = RM3600 per year. In the end, the interviews managed to gather results as listed in Table 2.

**Table 2**

*Participants opinion regarding interview questions*

Q	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11
1	√	√	√	√	√	√	√	√	√	√	√
2	√	√	√	√	√	√	√	√	√	√	√
3	X	X	√	X	X	√	X	√	X	X	X
4	X	X	√	X	X	X	√	X	√	X	X

<b>5</b>	√	√	X	X	X	√	√	√	X	X	√
<b>6</b>	√	√	√	√	√	√	√	√	√	√	√

Note.

Description of symbols	
√	Yes
X	No
Q	Question number
R	Respondent number

Referring to Table 2, most of the participants did not agree and did not satisfied with the current rate of haddul kifayah for income tax in Kedah state which only consisted of Own Self RM9000, a wife costing RM3000 and RM1000 a child expenses.

In addition, all of the respondents agreed that if the deduction item for new rate of haddul kifayah for income tax in Kedah state is being revised with the suggestion of adding some items into the calculation of the new tax deduction such as a. Own Self RM12000 a year, b. A Wife RM5000 a year, c. A kid RM3000 a year, d. Pilgrimage Fund (RM200 x 12 Months = RM2400 per year), e. Employees Provident Fund (EPF) = RM6000 a year, f. Education = RM10000 a year, g. Transportation = RM6000 per year, h. Disability Relief (Disability) Depreciation = RM3600 a year, and i. Childcare Allowance to Nursing / Caregiver = RM3600 per year.

Besides that, the participants were also asked about their opinion and views on the impact of the new rate of haddul kifayah for income zakat in Kedah state if be implemented immediately. Table 3 lists the opinions and views of the participants.

**Table 3**

Feedback from the participants

Theme	The Statement From The Participants
<b>Give justice to the zakat payer</b>	1) The It is very good to be re-evaluated the item of haddul kifayah as it can give justice to the zakat payer. R2
	2) Zakat payments are made justly after personal / family needs are met. R1
	3) Can provide justice and satisfaction to the zakat payer. R8
<b>Increase the sincerity of the zakat payer</b>	1) It's better because each person has a different spending rate. So it needs to be re-evaluated on the level of haddul kifayah in order to generate loyalty to the zakat payer. R7
	2) I am strongly agree because there will be an increase in the number of sincere of zakat payer. R3



	3) It is very good because it can provide the sincerity and satisfaction to the zakat payer. R4
<b>Increase the amount of the zakat payer</b>	1) If the new rate of haddul kifayah for income tax in Kedah state is being revised. I am sure that the zakat amount in Kedah state will increase every year. R1 2) It is strongly agreed to increase the awareness of the zakat payer and thus increase the zakat collection.R10
<b>Increase the number of state charity recipients need</b>	1) The zakat paid will continue to be passed on to the needy. R6 2) Can donate more to charity recipients. R5
<b>Increase the zakat payer</b>	1) If the deduction rate is high taking into account for current aspects, the zakat payer will be increase. R11 2) Kedah people who work at other country will pay the income tax to Kedah state because of the attraction rate of the study. R6 3) It is very useful and more muslims will pay zakat due to monetary value exclusion. R9

Note.

Description of symbols	
R	Respondent number

From the comments as depicted in Table 3, it can be concluded that the majority of participants believed and agreed with the positive impact of new rate of haddul kifayah for income tax in Kedah state such as; 1) providing justice to zakat payers, 2) increasing the loyalty of zakat payers, 3) increasing the number of zakat payers and 4) increasing the number of zakat recipients in Kedah state.

### CONCLUSION

In conclusion, zakat is the heart of Islamic social security by the principles of morality, equity, economy and convenience with the main of curtailing any state of hardship. Zakat also is primarily meant to alleviate poverty and ensures equality in income distribution, encourage investment and reduces poverty to the barest minimum.

Income zakat is the biggest source of charity in Kedah state because it increase every year and it is one of the highest collection than other types of zakat. The research on the value and type of items deduction for haddul kifayah which is state in zakat kedah website only considering the total cost for ownself, wife and children of RM13,000 to date. It is proposed that the rate of deduction items and the value of the new haddul kifayah in income zakat should be improved to give positive impact for zakat payer such as provide justice to the zakat payers based on current economic conditions and also can prevent them to avoid from paying zakat.

Among the things that need to be evaluated are the types and limits of family spending deductions such as basic expenses (food, clothing, housing, education, transportation, medical, communication bills), category of wife succeeded, children by age, education, disability dependency, dependents of chronic patients and childcare in a nursery or babysitter. Hopefully with the suggestions on value and deduction of new items for haddul kifayah can improve the collection and distribution of zakat and can raise Islamic law to a higher level in accordance with Islamic law.

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