The Need of Standardization of Individual Zakat Calculation in Indonesia

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Abstract

Objective – This research aimed to analyze zakat calculation practices from online providers. There are some differences in the calculation method, for example different treatment in zakatable deduction, types of income and zakat for business.

Methods - Twenty-three zakat online calculators are analyzed and then grouped into a main category. A simulation model is employed by inputting several common assumptions.

Results - The results showed that generally three zakat calculator become main providers and differences are still occur.

Conclusion – This research showed that the calculation of zakat should be simpler, standardized, and may not cause double zakat counting for profession-zakat. Government should intervene to provide a single zakat calculation method that must be refereed by all zakat institutions and link it to tax system.

Keywords: Zakat, accounting, calculation, online

Abstraksi

Tujuan – Riset ini bertujuan untuk menganalisis praktik perhitungan zakat secara online. Ada beberapa perbedaan dalam metode perhitungan, misalnya perbedaan dalam pengurangan objek zakat, jenis penghasilan dan zakat untuk bisnis.

Metode – kedua puluh tiga perhitungan zakat secara online dianalisis kemudian dikelompokan dalam kategori besar. Model simulasi dilakukan dengan menggunakan beberapa asumsi umum untuk analisis.

Hasil – Hasil menunjukkan bahwa secara umum ada 3 perhitungan zakat yang menjadi rujukan dan perbedaan tersebut tetap ada.

Kesimpulan – Riset ini menunjukkan bahwa perhitungan zakat seharusnya sederhana, terstandar dan tidak menyebabkan perhitungan dobel untuk zakat profesi. Pemerintah seharusnya mengintervensi untuk menyediakan perhitungan zakat yang standar sehingga dirujuk oleh semua institusi zakat dan terkait dengan sistem pajak.

Keywords: Zakat, accounting, calculation, online

1. Introduction

There is an interesting fact about Muslims who pay zakat each year in different methods which leads to different calculation result. While Al Qur'an only obliges Muslims to give their zakat, the explicit calculations and requirements are stated in the hadith (Prophet Muhammad PBUH saying). However, it requires contemporary interpretation in the current context, as it now has a different situation from the past, as well as standardization in the calculation. In addition, an accounting standard in zakat calculation for companies has been set by the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI). However, this is only for a reference; no legal support is applied as the positive law to be practiced. For the zakat individual, there is currently no standard calculation; we still refer to past practices.

Compared to tax calculation, zakat is regulated under the government law system. Therefore, the difference may not be as wide as tax payers as they apply the same calculation standard. The calculation is based on specific guidelines and rules. In each country, tax calculation is based on the characteristics and specification of the country.

The paper aims to analyze zakat calculation from online providers who are zakat institutions. Some differences occurred due to different assumptions and theories. This caused zakat calculation standardization and restitution process is not effective. This paper proposed a simple zakat calculation and some assumptions to be concerned with the calculation.

Zakat actually is not only practiced by Muslims since it has employed in ancient times. This was known as a tithe which was imposed on the followers of Moses and Jesus. Under the period of the Prophet Muhammad PBUH, the implementation of tithe is more detailed and complete. Zakat is commanded in the Qur'an and clarified in Sunnah (prophet saying) that was recorded in hadist.

The word zakat is mentioned 42 times in the Quran with the obligation of shalat (prayer). This shows that zakat has the same importance as shalat. Zakat is included in the

Five Pillars of Islam. Nevertheless, not many Muslims practiced it compared to the obligation of shalat. However, this related to social relationships which can enhance the economic activities.

In general, there are two types of zakat, zakat fitrah (individual) and maal (wealth). On one hand zakat fitrah obliges Muslims to pay before the holy day (Idhul fitri). Usually paid to closer Masjid to muzakki. The objective of zakat fitrah is to purify the condition of the Muslim. On the other hand, zakat maal is not attached to a particular day. Some zakat is collected when the harvest time (the Agricultural sector zakat) or acquired (mining or productive assets zakat). Some zakat have to wait for one year (meet haul) before it is obliged to pay by muzakki.

In this case, to be effectively collected like zakat fitrah, there must be clear direction and supportive administration. This can be in the form of an act, government regulation, ministerial regulation and detailed guidelines. So far, the only act that available is government regulation that regulate tax implication for deduction of taxable income. In addition, a supportive administrator must be available to assertively collect the zakat fund. It would be beneficial if there was a determined deadline date for the maal zakat payment. Having the same deadline of maal zakat and fitri zakat would be sensible. In the period of Umar bin Khattab, the best friend of the prophet (sahabah), he declared a war for Muslims who did not pay maal zakat. According to Ubaid (C10[th] AD), he declared it to Muslims that had physical zakatable assets but did not want to pay zakat.

Some problems that may exist are in the detailed zakat calculations. Items that are regulated in practices in the past may be slightly different from current practices. There is a urgency to standardize the calculation for maal zakat as it relates to tax calculation (for taxable income deduction). It would be questionable for a tax authority if there were different calculations among zakat institutions for the same zakatable assets. In addition, a muzaki (zakat payer) would not confirm with the government. This could be regulated in ministerial regulations or in an act.

Previous research on variances of zakat calculations related to zakat company calculations. This may cause a new issue in current business trend. In this case, AAOIFI has set a standard to calculate zakat on a company. In general, company zakat calculations are grouped into two categories:

a. Productive asset.

    Proposed by Qardhawi (2008), productive assets include any current asset deducted by current liability.

b. Net growing capital.

    Proposed by El Badawi and Sultan (1992), they differentiate long-term liability for current assets as deductions.

Therefore, the AAOIFI standard can be a good, single zakat calculation to reduce differences. In the case of individual zakat, there should be a single zakat calculation method for standardization.

2.   Methodology

This research analyzed online zakat calculation that is provided by zakat institutions in Indonesia. They offer zakat calculators which aimed to assist in calculating the amount of zakat which must be paid by a Muslim. However, there are various standard that referred by the institution in zakat calculation.

The research data collection comprises two steps. First, identify zakat calculation provider. In this step, we utilize search engines such as Google and Yahoo, and then we tried to access the website. If we can open it, we will save it in the database. Second, we try to simulate the calculator by input data with some assumptions. However, some web sites have been closed. From 23 web sites (checked at 29 April 2011) only 19 are remained (as at 1 February 2012). But, two sites are broken and the assumption of gold cannot be changed and therefore miscalculated.

Table 1. Data filter

Description	Amount
Website check data	23
Closed (data simulation)	(4)
Broken	(2)
Total	17
Observed data	19

Source: data

Each web site would be grouped into similar calculation and based on large zakat collections in 2010. This would ease the analysis. Descriptive statistics would be conducted in this paper. An ideal and simple zakat calculator proposal would be suggested in this paper.

3. Result

To check the variance of the zakat calculation providers, some assumptions are needed such as income, debt, basic needs, rice and gold price (see table 2). Trading and company zakat is excluded in this case as common people rarely practice these. Rice price assumption is needed for zakat calculation which is adopted for profession zakat calculation. Gold, in general, is used as a basis of wealth zakat. Both prices were applied at the beginning of February 2012.

Table 2. Simulation Data Assumption

Monthly salary	Rp10 mn
Other income/month	Rp2 mn
Debt payment/month	Rp1.5 mn
Savings	Rp50 mn
Basic need/month	Rp4 mn
Rice price (assumption)	Rp6000 (1 Feb 2012)
Gold price (assumption)	Rp552.000 (1 Feb 2012)

The problem may exist that most providers do not have zakat calculations for agriculture, farming, cattle, animals, mining and discovering things (rikaz). However, most Indonesian people are working in the agriculture, livestock, mining and fisheries sectors.

Zakat calculation providers should show concern on this issue. Otherwise, the potency of zakat is likely to still be as low as previously happened.

The main discussion would be on three the largest zakat institutions and referred zakat calculators like Rumah Zakat Indonesia (RZI). In addition, other extreme cases would be discussed. So far, Dompet Dhuafa (DD), as the oldest private zakat institution collected zakat as amounts of Rp130bn, RZI for Rp47.5 bn, and BAZNAS that is owned by the government as an amount of Rp23bn in 2010. This seems that the age of establishment may affect experiences in zakat fundraising. Dompet Dhuafa was established in 1993, Rumah Zakat in 1998, while BAZNAS was established in 2001 under Presidential letter No. 8.

Discussions of differences among zakat institutions are grouped into topics:

a. Zakat profession

Zakat profession is taken on a monthly basis and three institutions have different methods for this. Dompet Dhuafa deducts monthly installment from the salary, RZI deducts the basic need and BAZNAS does not deduct anything in this calculation. For minimum nishab (required payment) Dompet Dhuafa uses the rice price (wasaq) basis, while RZI and BAZNAS use the gold standard (85 grams, 22 carats). Even though they have a different zakat calculation basis, they are very close in amount. The gold is equivalent to Rp46.9 million while rice basis is Rp47 million. The largest payment is BAZNAS, followed by DD and RZI. In P. Virtual, debt and a monthly installment are included as deduction for profession zakat, while YSDF ignored this.

b. Zakat maal

Three zakat institutions have the same nishab parameter. All of them applied the gold standard. Both RZI and BAZNAS deduct debt from the wealth, but not Dompet Dhuafa. This left only Dompet Dhuafa which require muzakki to pay zakat maal as an amount of Rp1.25 million. RZI and BAZNAS do not require zakat maal payment

if it is under the nishab. Meanwhile, YSDF deduct both debt and monthly installment from wealth.

Two institutions stated they refer to Dompet Dhuafa (HSBC and Amaliah) but the calculation is different. This is because they may refer to the previous calculation. Dompet Dhuafa omit the basic need deduction in zakat maal calculation while HSBC and Amaliah still has the deduction.

c. Trading or business zakat

Only RZI and BAZNAS provide zakat calculation on trading or business and capital ownership in the company. The calculation is based on the value of the wealth or company. This may be a large problem if the valuation standard is not specifically determined by one authority body. It would create different calculations.

From descriptive statistics in table 3, we can see that the mean is higher than the median. The ratio of skewness is less than 2, but not for the kurtosis. Thus, the assumption of distribution is failed. This can be seen in figure 1. RZI is used as reference.

Table 3. Descriptive Statistics

NValid	19
N Missing	0
Mean	2.7 mn
Median	2.4 mn
Std. Deviation	1.11221E6
Variance	1.237E12
Skewness	.314
Std. Error of Skewness	.524
Kurtosis	2.347
Std. Error of Kurtosis	1.014
Range	5.021.250.00
Minimum	.00
Maximum	5.021.250.00

Source: data

This difference caused a problem in the standardization of calculation. However, a single standard should be applied in the calculation of zakat in order to have proper and precise result. This would effect the tax calculation as zakat can deduct the taxable income.

A problem that may also occur is the potency of double zakat. Each zakat calculation provider which applies profession zakat would take zakat each month. Then, the income remaining after zakat should be separated from savings for maal zakat calculation. Otherwise, it would create a double zakat calculation.

Figure 1. Histogram with Distribution Normal Curve
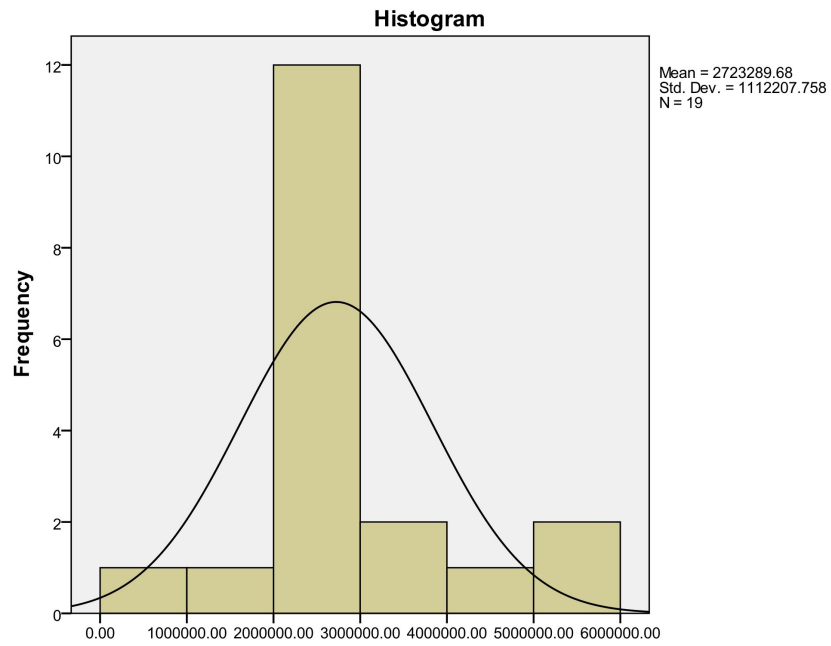
Source: data

Tabel 4. Zakat Calculation Providers in Indonesia

Item	Referring DD	DD	RZI	BAZNAS	Mizamanah	P. Virtual	YSDF	Broken	Missing
Institution Adopt	2	1	10	1	1	1	1	2	4
Basis for Profession Zakat	Debt deduction	Debt deduction	Basic Need deduction	-	Basic Need deduction	Basic Need deduction	-	Basic Need deduction	-
	-	-	-	-	-	Debt deduction	-	-	-
	Rice nishab(wasaq)	Rice nishab(wasaq)	Gold nishab	Gold nishab	Gold nishab	Gold nishab	-	Gold nishab (not updated)	-
Basis for Maal Zakat	Basic Need deduction	-	Debt deduction	Debt deduction	Debt deduction	-	Debt deduction	Debt deduction	-
	-	-	-	-	-	-	Basic Need deduction	-	-
	Gold nishab	Gold nishab	Gold nishab	Gold nishab	Gold nishab (ignored)	-	Gold nishab	Gold nishab (un updated)	-
Trading Zakat	n.a	n.a	Available	Available	Available	n.a	Available	Available	-
Zakat Maal	1,871,250	1,250,004	-	-	800,000	-	-	800,000	-
Zakat Profession	3,150,000	3,000,000	2,400,000	3,050,000	2,400,000	1,950,000	-	1,850,000	-
Total	5,021,250	4,250,004	2,400,000	3,000,000	3,200,000	1,950,000	-	2,650,000	-

Source: data

The proposed zakat calculation standardization can unite zakat calculation. This can be seen at table 5, 6 and 7.

Table 5. Comparison and Proposed Profession Zakat

Components Profession zakat:	DD	RZI	BAZNAS	Proposed
Salary	Annualized	Annualized	Annualized	Spot
Bonus	Annualized	In a year	In a year	Spot
Basic need	-	Deduct	-	-
Debt	Monthly, deduct	-	-	-
Nishab	Rice	Gold	Gold	Gold

Most zakat calculation providers annualize the monthly salary and bonuses outside main income are treated differently. We propose profession zakat is calculated based on spot receive or transfer of muzakki. This is analogous with agricultural sector where if does not meet the minimum standard (nishab), it would be charged to maal zakat. Dompet Dhuafa deducts zakatable object with debt, while RZI with basic need. Referring to Agricultural sector analogy, there would be no deduction neither debt nor basic needs. However, although profession zakat mainly referring to zakat in the Agricultural sector, gold standard can be used as benchmark to measure the minimum requirement for profession zakat (nishab). This is because the price of rice may vary and be subjective.

Table 6. Comparison and Proposed Maal Zakat

Components Maal zakat:	DD	RZI	BAZNAS	Proposed
Savings	Yes	Yes	Yes	Yes
Gold, etc.	-	Yes	Yes	Yes
Investments	Yes	Yes	Yes	Yes
Property	-	Not productive	Yes	Not productive
Inventory	-	Yes	Yes	Yes
Zakatable assets	-	Yes	-	Yes
Basic need	-	-	-	-
Debt	Due, deduct	Due, deduct	Due, deduct	Due, deduct
Nishab	Gold	Gold	Gold	Gold

For maal zakat, most zakat calculation providers have the same treatment except for Dompet Dhuafa which is less detailed. However, the information about zakatable assets should be informed to muzaki as not all current asset are subject to zakat. If grouped into productive assets, zakat only charges income, not the value of the asset.

Table 7. Comparison and Proposed Business Zakat

Components	DD	RZI	BAZNAS	Proposed
Business/trading zakat:				
Value of business	-	Yes	Yes	Yes (linked to maal zakat)
Debt	-	Deduct	Deduct	Deduct
% ownership	-	Yes	Yes	Yes
Nishab	-	Gold	Gold	Gold

Besides the above calculations, other zakatable objects that have not been covered are zakat on the agricultural sector, and livestock, mining and fisheries sectors. These sectors should be available in the zakat calculator (see table 8).

a. Agriculture

Zakat is charged when harvesting time, debt should not be considered in the final zakatable assets as well as the ownership percentage. The minimum zakat payment is based on specific types of zakat and does not have to wait until one year (haul). The rate is about 5 percent to 10 percent, depended on watering type.

b. Livestock

It depends on type (cow, sheep, goat, camel, etc.), including the rate, and minimum zakat. A one-year period of eligibility is required for zakat payment.

c. Mining

It charges 30 percent from the value of mining assets, no nishab and haul consideration for zakat payment.

d. Fisheries

It charges similar to livestock with a rate of 2.5 percent with minimum zakatable as amount of maal zakat.

e. Productive assets

This is an asset that can generate income, for example rental object, contract and productive assets. The income is charged directly without nishab and haul requirement.

Table 8. Other Proposed Zakat Calculators

Components	Sector				
	Agriculture	Livestock	Mining	Fisheries	Productive assets
Zakatable object	Spot	Number	Spot	Spot	Result/income
Debt	-	-	-	-	-
% ownership	Yes	Yes	Yes	Yes	Yes
% rate	5-10%	Type	30%	2.5%	2.5% from income
Nishab	Wasaq (type)	Type	-	Gold	-
Haul	-	Yes	-	-	-

4. Conclusions

Different assumptions and theories in zakat calculation produced different results of zakat calculation. This caused some zakat payers have different zakat calculations and leads to a divergence in the calculation result. It would affect the amount of zakatable income deduction. Problems would occur if they would like to claim overpaid tax since zakat can deduct the taxable income in Indonesia. Therefore there should be one calculation standard in order to be understood by the tax office.

The standardization of zakat calculation can be issued by the government as a full authority body in Indonesia. This can be conducted by absorbing suggestions from zakat institutions in Indonesia. Research could be conducted to determine the impact of the standard implementation.

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