

# Zakat on Non-Cash Employment Benefits: A Maqasid al-Shariah Framework

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## Abstract

*This study concludes that incorporating Benefits in Kind (BIK) into Malaysia's zakat framework is both a jurisprudential necessity and a policy imperative to uphold the Maqāṣid al-Sharī'ah principles of justice ('adl), wealth preservation (ḥifẓ al-māl), and purification (tazkiyah). Drawing upon analogical reasoning (qiyās), public interest (maṣlaḥah), and juristic preference (istiḥsān), the analysis confirms that BIK represents a tangible form of economic enrichment and thus qualifies as zakatable wealth. The research further establishes that standardized valuation mechanisms, particularly those derived from the Inland Revenue Board's (IRB) fixed-value and formula-based models, can be adapted within Shariah parameters to ensure accurate, equitable, and administratively practical zakat assessments. Complementary to this, adherence to AAOIFI's Financial Accounting Standard (FAS) No. 9 on Zakah and Governance Standard (GS 8): Zakat Governance Framework offers international benchmarks for valuation consistency and institutional accountability. The study recommends four strategic measures to operationalize these reforms: (1) formal adoption of a cash-equivalent valuation standard for BIK, (2) issuance of a unified national fatwa to harmonize rulings, (3) implementation of Shariah audit frameworks, and (4) sustained public education to strengthen compliance. Future*



*empirical research is encouraged to examine the socioeconomic outcomes of BIK inclusion, particularly its effects on compliance behavior, institutional transparency, and equitable wealth redistribution. Integrating BIK into zakat assessment thus reinforces the ethical essence of zakat as a transformative instrument of spiritual purification and socioeconomic justice.*

**Keywords:** Zakat, Benefits in Kind, Maqasid al-Shariah, Islamic Taxation, Wealth Distribution, Shariah Governance

## INTRODUCTION

Maqasid Shariah is the objectives of Islamic law, which is a holistic framework of having justice, equity & thus preserving human welfare from all the faculties of life. These are that which must be safeguarded in Islam (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal). Maqasid Shariah intends to remove a difficulty in the socio-economic context, to promote dignity and enable the balanced distribution of wealth ([Zailani et al., 2022](#)). In this sense, within the framework of Divine Justice, zakat is elevated as a pillar to uphold justice and to purify wealth.

Zakat, the obligatory almsgiving in Islam in principle is for individual spirituality and communal socio-economic uplift. Zakat is the third pillar of Islam, and it ensures the equitable distribution of wealth and reduces the gap between the poor and the rich ([Kahf, 1999](#)). In the past, zakat was about giving what you had in tangible forms, such as gold, livestock and agricultural produce, but over the years the zakat system has expanded its approach to a larger range of income sources, including salaries and professional income. Such Islamic contracts are dynamic and responsive to contemporary financial realities ([Kahf, 2004](#)).

As with most things in Zakat, there has been significant movement around the definition of items that qualify businesses for Benefits in Kind (BIK). BIK is recognised in Malaysia for tax by IRB,

thus, recognised by IRB as a form of wealth ([Hamat & Muhd Adnan, 2017](#)). Most of the religious authorities and zakat institutions across the states have yet to integrate BIK into the zakat assessment mechanisms. However, this even omitted of zakat did raise the scalability and equity problem from the current zakat practice ([Hamat et al., 2017](#)).

Thus, from the perspective of Maqasid Shariah, not having BIK zakat assessed may not effectively achieve its goal of *hifz al mal* (protection and purification of wealth). If there are people making considerable earnings with the increase in economic strength in a community, but as they are not fully subjected to zakat, we see wealth inequity ([Meerangani et al., 2022](#)). This is especially urgent in urban settings where BIK can represent a significant part of a person's overall compensation. If BIK is not included, zakat mechanisms might not mirror the real economic status of the person.

In addition, when significant elements that can enrich wealth such as BIK are ignored, the spiritual function of zakat as a means of purification (*tazkiyah*) is also affected. Zakat is the first step of Qur'an in acknowledging and purifying the wealth (*Al-Tawbah*: 103), and it is purposeful to make to all sources of income will be subject and obey for this obligation, all around it ([Ahmadi et al., 2023](#); [Al-Faizin et al., 2018](#); [Setyudin, 2019](#)). This accords with the prophetic tradition which emphasizes justice ([Javaid & Hassan, 2013](#)) and the elimination of hidden treasure-hoarding ([Al-Assaf, 2019](#); [Ibrahim et al., 2014](#)). It is high time and need for a re-evaluation of what really wealth is zakatable.

Modern historians and economists have argued for an expanded definition of wealth based upon economic realities of today. The most famous scholars who've pioneered this movement are Al-Qaradawi (1999) and Kahf (1993) who claim that zakat must involve new forms because of an economy that is all global. This approach allows zakat

institutions to effectively assess wealth based on an individual's overall economic activity, ignoring specific business practices or asset ownership. Implementing this approach would not only highlight the maqasid but also uphold public trust in zakat system ([Andriansyah, 2024](#); [Ghani et al., 2018](#); [Mustamin et al., 2025](#); [Nayak & Hegde, 2023](#); [Sugianto et al., 2024](#)).

Thus, if these reforms are to work, legal best practices must adhere to Shariah principles, starting with the enshrinement of standardized valuation methods for a suite of BIK. Based on the content analysis of current academic literature and fatwa documents, this study suggests the use of the current valuers' technique adopted by the Inland Revenue Board (IRB) of Malaysia that aids in greater accuracy and administrative efficiency. This approach resolves the complication of the main finding that top BIK, which should be captured in zakat assessment, is rooted in objectives of wealth purification and socioeconomic justice defined in the Maqasid Shariah. Indeed, this paper revives the zakat status of BIK in the eyes of contemporary Shariah by reassessing a balance within the Shariah maqasid to devise a more inclusive and egalitarian orientation of zakat that replicates modern economic conditions to bolster its relevance and effectiveness to present-day society.

### **Maqasid Shariah and the Wealth Taxation Paradigm**

Tazkiyah, which can be translated as spiritual purification or socio-economic justice, is the foundational rationale of zakat in Islamic jurisprudence. By redistributing wealth, zakat seeks to close the gap and ensure that basic human needs are fulfilled. This is in accordance with Maqasid al-Shariah, which covers all means of wealth (i.e., BIK), not just money, that fulfills basic necessities like housing and transport. Strategizing for Zakat: As Al-Qaradawi (1999) states, zakat needs to be adjusted with the foundation of the economy in the modern context without in any way bypassing the fundamental

principles. Exempting BIK from zakat was contrary to this principle of inclusion and justice.

BIK constitutes a significant portion of modern remuneration structures, operating on a similar or even more impactful basis than salary. Such benefits might include housing, transportation, utilities, or meal allowances provided in-kind by the employer to alleviate the employee's direct financial burdens. Such improved financial standing gives reasons to include the BIK in zakat deferment ([Hamat et al., 2017](#)). When BIK decreases total cost of living, it increases this individual's net wealth. Thus, these advantages should be treated as part of a zakatable base, to promote the accurate and fair nature of zakat.

One of the major arguments against BIK is the complexity of valuing it in monetary terms. Nevertheless, a national taxation system, like the IRB of Malaysia, has already to date provided the valuation model for the BIK which could solely be utilized or adapted to a zakat purpose ([Hamat & Hanapi, 2016](#)). The fact that all these systems already exist only shows that the challenge of valuation isn't impossible but fundamentally procedural. Thus, the complexity is administrative, not jurisprudential. These models provide an equitable and practicable method of calculating zakat on benefits other than cash.

Broad definitions of wealth and zakat were proposed by classical Islamic scholars, aligning with the concept of non-monetary benefits today. For instance, Ibn Ḥazm, a renowned Zāhirī (literalist) jurist from al-Andalus,<sup>1</sup> asserted that any gainful benefit contributing to wealth accumulation is zakatable, regardless of whether it is in cash or in kind ([Hamat et al., 2017](#)). This position is particularly significant given his

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<sup>1</sup>Ibn Ḥazm (d. 1064 CE / 456 AH) was an Andalusī jurist, theologian, and philosopher who belonged to the Zāhirī school of Islamic jurisprudence, which emphasizes literal interpretation of the Qur'an and Sunnah ([Baykal, 2023](#); [Fierro, 2018](#)).

strict adherence to textual literalism, as it demonstrates that even scholars from the *Zāhirī* school, who are known for their literal interpretation of scriptural sources, recognized the obligation of zakat on wealth that generates tangible economic benefit. This indicates that historical jurists prioritized the economic substance of wealth over its form. The principle remains relevant today, as modern Benefits in Kind (BIK) serve the same economic function as income. Therefore, the inclusion of BIK in zakat assessments aligns with foundational fiqh principles and the broader *maqāṣid al-sharī'ah* objective of ensuring distributive justice and social welfare.

Modern academics align with classical perspectives in light of our changing financial instruments. Al-Qaradawi stressed the zakat is not limited to its traditional items concerning wealth and non-cash advantages have an important factor of economic worth (Al-Qaradawi, 1999). His justification was a wider and practical application of zakat in salaried employment sectors with BIK increasing individuals' personal wealth. Such a viewpoint ensures that zakat remains relevant and effective in creating socio-economic equilibrium. Hence, BIK is justified through the changing definition of wealth in Islamic jurisprudence.

Research on officers of the State Islamic Religious Council (SIRC) revealed that they did not understand BIK when receiving income as an employee. For instance, Zahri et al. (2024) realised a study at the Kelantan Islamic Religious and Customs Council (MAIK) assessing the inclusion of BIK in the category of employment income zakat contributions and proposing a formal framework for their valuation. The results provide a working model allowing greater diffusion across other SIRC. These models would provide consistency and justice to the evaluation system of SIRC. Such examples bolster the case that BIK inclusion is not just valid but essential.

Opponents of BIK inclusion often argue that it could overburden individuals who already pay zakat on their cash salaries. However, this view overlooks the economic advantage derived from BIK, which effectively reduces personal expenses and enhances overall disposable income. As Al-Qaradawi (1999) emphasized, zakat should reflect an individual's real financial capacity, including any relief received through in-kind benefits.

While it is true that BIK is already subjected to taxation under the Inland Revenue Board (IRB) framework, the underlying objectives of taxation and zakat are fundamentally distinct. Taxation serves as a fiscal instrument for state revenue and public expenditure, whereas zakat functions as a divinely mandated mechanism for spiritual purification (*tazkiyah*) and equitable wealth redistribution within the Muslim community. Hence, the inclusion of BIK in zakat assessment should not be perceived as double taxation, but rather as a complementary form of wealth accountability aligned with the *Maqasid al-Shariah* objectives of justice (*'adl*) and wealth preservation (*ḥifz al-māl*).

Moreover, public discourse on this issue has begun to emerge, particularly among policymakers and Shariah scholars who recognize the increasing significance of non-cash income in determining real economic capacity. As elaborated further in Section 4.2: Comparative Fiscal Analysis between Zakat and Taxation, the differentiation between fiscal redistribution through government mechanisms and spiritual redistribution through zakat underscores the necessity of integrating BIK to maintain both the integrity and fairness of Malaysia's zakat system.

The ethical aim of zakat as a mechanism for economic justice necessitates a holistic definition of wealth. Allowing substantial sources of income to go untaxed, such as BIK in zakat, undermines the zakat system's ability to fulfill its redistributive capacity. When all

wealth forms are recognized, obligations will be fair, and trust in zakat institutions will remain intact. It is recognized that acknowledging the financial benefits, such as BIK, enhances zakat as a means of maintaining socio-economic equilibrium (Hamat & Hanapi, 2016). Such an approach further helps establish both spiritual and material equity.

The overarching argument is that BIK should be considered in zakat treatment, as supported by both classical and contemporary literature. It is also known that zakat should assess modern compensation structures in terms of the total economic benefit, not just salary or a few conventional benefits. The notion of a functional method of categorizing wealth was supported by classical jurists such as Ibn Hazm, as well as by contemporary scholars like Al-Qaradawi (Hamat et al., 2017). For example, the SIRC officers (including MAIK) have institutional practices that demonstrate that benefits-in-kind (BIK) can be valued and instrumented. By considering BIK in the calculation of zakat, it ensures that zakat remains relevant, equitable and consistent with ethical objectives.

## **METHOD**

This study employs a qualitative content analysis approach to investigate the zakatability of BIK within Malaysia's Islamic financial framework. Content analysis is suitable for systematically interpreting textual data from legal, institutional, and religious sources to identify patterns, themes, and meanings (Creswell & Poth, 2023). Key primary documents include fatwa compilations issued by state religious councils, valuation guidelines from Malaysia's Inland Revenue Board (IRB), and Shariah governance standards outlined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Additionally, classical and contemporary fiqh literature is critically examined to explore juristic perspectives on non-monetary



forms of wealth. The study is anchored in the Maqasid al-Shariah framework, specifically focusing on the objectives of wealth preservation (*hifz al-māl*), distributive justice (*‘adl*), and public interest (*maṣlahah*).

The content analysis process involves thematically organizing relevant provisions from regulatory texts, fatwas, and scholarly writings to assess the legitimacy and practical application of zakat on BIK. This method allows the researcher to triangulate multiple sources and interpret them in a jurisprudentially grounded manner (Merriam & Tisdell, 2015). By combining textual analysis with ethical principles from Islamic law, the study aims to construct a policy-relevant interpretation of BIK as zakatable wealth. This methodological framework provides a robust foundation for recommending harmonized practices between SIRC and Malaysian IRB in Malaysia.

## RESULTS AND DISCUSSION

### **Juristic Analysis: Qiyas, Maslahah, and Maqasid**

In the absence of explicit textual evidence (*nass*) addressing modern forms of income, such as BIK, Islamic jurisprudence utilizes *qiyas* (analogical reasoning) (H. F. S. Faizi & Ali, 2024; Rahman et al., 2019) and *maṣlahah* (public interest) (Alias et al., 2024; Sunaryo & Fahmi, 2024) to derive rulings. These tools allow scholars to address new financial realities without deviating from the core objectives of Islamic law. Although not explicitly addressed in classical sources, BIK serves a similar function to traditional income by enhancing financial stability and overall enrichment. This functional equivalence allows scholars to derive rulings through analogical extensions. Hence, BIK’s zakatability must be evaluated in consideration of these jurisprudential mechanisms.

*Qiyas* involves identifying the effective cause (*illah*) of an established ruling and applying it to a new case with the same

reasoning. The underlying cause for zakat on salaries is the economic benefit and enrichment it provides, which also applies to BIK. For instance, housing, transportation, and utility coverage reduce personal expenditure and increase net wealth. Al-Qaradawi (1999) argues that zakat should encompass all forms of income that lead to economic uplift. Therefore, by applying *qiyas*, BIK can be analogized to salaries and thus be included within zakatable assets.

Moreover, the principle of *maslahah*, which refers to the pursuit of public benefit and the prevention of harm, plays a critical role in legitimizing zakat on BIK by considering its contribution to social welfare. As a foundational element within the broader framework of *maqasid al-Shariah*, *maslahah* functions as the guiding rationale behind many *Shariah* rulings, especially those addressing contemporary socio-economic developments. It seeks to uphold essential objectives, including poverty alleviation, social justice, and equitable wealth distribution. If BIK offers employees financial value comparable to cash income, excluding it from zakat calculations would undermine the spirit of distributive justice that *maslahah* aims to protect. According to Dusuki and Abdullah (2007), integrating *maslahah* ensures that zakat regulations remain adaptable and responsive to changing economic realities. Thus, the inclusion of BIK as a zakatable asset is justified by its clear and tangible public benefit.

This argument is further reinforced through the lens of *maqasid al-Shariah* (objectives of Islamic law), which encompass justice (*'adl*), equality (*musawah*), and the preservation of wealth (*hifz al-mal*) (Kamali, 2011). As a financial pillar of Islam, zakat is designed to advance these objectives by promoting fair wealth redistribution. When BIK is excluded from zakat assessment, individuals with similar overall remuneration may end up contributing unevenly, leading to inequity. Such disparity contradicts the *Shariah's* broader commitment to fairness and equal accountability (Al-Qarafi, n.d.).

Therefore, *maqasid*-based reasoning not only complements the principle of *maslahah* but also strengthens the case for recognising BIK as *zakatable* to ensure the ethical coherence and social justice aims of the zakat system. Al-Qaradawi (1999) emphasizes that zakat is not merely a ritual act, but a comprehensive socio-economic institution designed to promote the circulation of wealth and eradicate poverty. This broader conception obligates Muslim jurists to evaluate new forms of wealth with an emphasis on function rather than form. He posits that analogical reasoning in zakat is permissible and necessary due to its societal orientation. When non-monetary income yields financial strength and stability, it fulfills the same '*illah*' as cash income. Consequently, the exclusion of BIK would conflict with zakat's social mission and reduce its effectiveness in achieving socio-economic justice.

From an applied jurisprudence perspective, SIRC officers have acknowledged the importance of BIK in zakat, as demonstrated in a study on MAIK's inclusion of BIK in employment income assessments (Zahri et al., 2024). These frameworks utilize standardized valuation methods to quantify benefits such as housing, fuel, and other non-cash allowances (Hamat, Badaruddin, & Samsurijan, 2017). Such institutional practice reflects the feasibility of operationalizing theoretical principles like *qiyas* and *maslahah*.

Concerns about the valuation complexity of BIK are not insurmountable and have parallels in modern taxation systems. National tax authorities, including Malaysia's IRB, assign monetary values to various BIK components, offering a blueprint for zakat implementation (Hamat & Hanapi, 2016). These mechanisms are already accepted and applied in determining taxable income, implying their credibility and reliability. Adopting similar standards for zakat would enhance consistency and equity in wealth assessment.

Therefore, technical challenges should not serve as a barrier to fulfilling Shariah objectives (Mohd Ariffin & Osman, 2022).

Additionally, the principle of *istihsan* (juristic preference) can be invoked to support BIK inclusion when it leads to fairer outcomes and aligns with the Shariah's intent. *Istihsan* allows for a departure from strict analogy when a more equitable rule is available. In the context of BIK, preferring inclusion over exclusion ensures proportional contribution to zakat obligations. Scholars have long agreed that Islamic law prioritizes outcomes that serve justice and public interest (Kamali, 2011). As such, *istihsan* complements *qiyas* and *maslahah* in reinforcing the zakatability of BIK.

Furthermore, excluding BIK contradicts the integrative view of wealth in Islamic economic thought. Wealth in Islam is defined by its utility and capacity to satisfy needs, not merely its liquidity. BIK, by fulfilling fundamental human needs without direct cash transfers, holds the same functional value as money. As wealth that contributes to socio-economic advantage, BIK falls squarely within the scope of assets intended for zakat (Dusuki & Abdullah, 2007). The holistic interpretation of wealth strengthens the moral and jurisprudential case for BIK inclusion.

Overall, the application of *qiyas*, *maslahah*, and Maqāṣid Sharī'ah affirms that BIK should be subject to zakat. BIK fulfills the same financial function as salary, contributes to enrichment, and influences a person's real economic position. Classical and contemporary scholars alike support the flexible application of Shariah principles to accommodate emerging financial realities. Institutional practices and existing valuation models provide operational viability for this inclusion. Therefore, BIK should be incorporated into zakat frameworks to uphold justice, equity, and the broader goals of Islamic economic jurisprudence.

## **BIK Valuation and Zakat Accounting Standards**

Integrating Benefits in Kind (BIK) into zakat assessments necessitates not only a robust but also a Shariah-consistent valuation framework that ensures both equity (*'adl*) and transparency (*amanah*) in calculation. Malaysia's Inland Revenue Board (IRB) currently employs a hybrid approach to BIK valuation for tax purposes, combining fixed-value and formula-based methodologies (IRB, 2013). While these models promote administrative efficiency and predictability, they are primarily designed for fiscal revenue collection rather than ethical redistribution, thus lacking alignment with zakat's maqasid-driven objectives of purification (*tazkiyah*) and social equity (*maslahah*).

For instance, the IRB method for valuing company-provided vehicles, based on original cost and age, captures depreciation but overlooks differential utility and economic benefit to the employee. Similarly, housing benefits assessed through market rental equivalents may accurately represent the benefit's market value, yet they do not account for liquidity or the beneficiary's capacity to convert such non-cash benefits into disposable wealth, which is central to determining zakatability.

From a zakat governance perspective, reliance on static tax valuation models without adaptation risks conceptual inconsistency. A more equitable framework would integrate cash-equivalent valuation, grounded in *qiyās* (analogical reasoning) and *maslahah* (public interest), to reflect the real economic gain derived from BIK. This approach ensures parity between taxable and zakatable income, while maintaining assessments that are both jurisprudentially sound and administratively verifiable. Hence, adapting IRB-style valuation mechanisms with Shariah-oriented calibration offers a pragmatic pathway toward harmonizing zakat and taxation systems, promoting both distributive justice and institutional transparency.

In this context, the rule of *sadd al-dharā'i* (to block the means to bring about harm) applies because the standardization of BIK valuation can deter zakat evasion through the manipulation of the compensation structure. Furthermore, the framework discourages them from lowering their taxable income in a manner that would lead to zakat avoidance, thereby reinforcing the essence of zakat. Internal control mechanisms are essential in Shariah governance, which promotes compliance and trust in Islamic finance institutions (Khalid & Sarea, 2021). Establishing these standards and practices at zakat institutions would also help improve accountability and public trust (Fatmasari et al., 2024; Kusumawardani, 2020; Wardhani & Baridwan, 2023). This, in turn, supports ethical financial practices and is consistent with Shariah tenets, as such approaches are based on the LHDN's prescribed valuation methods.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has developed specific governance and accounting standards to ensure consistency and transparency in zakat-related financial practices. In particular, AAOIFI Financial Accounting Standard (FAS) No. 9 on Zakah provides detailed guidance on the recognition, measurement, and disclosure of zakatable assets, including non-cash and in-kind items that possess measurable economic value (AAOIFI, 2021). Complementing this, AAOIFI Governance Standard (GS 8): Zakah Governance Framework emphasizes institutional accountability, valuation uniformity, and Shariah compliance in zakat determination and reporting. Together, these standards offer a structured foundation for integrating Benefits in Kind (BIK) valuation into zakat accounting, ensuring that assessments reflect both international best practices and Maqasid al-Shariah objectives of equity (*'adl*) and wealth purification (*tazkiyah*).

Hamat et al. (2017) discuss the feasibility of incorporating BIK into zakat assessments, highlighting the need for standardized

approaches to maintain equity among zakat payers. By adhering to AAOIFI's guidelines, zakat institutions can enhance their operational credibility and ensure that BIK valuations are conducted transparently (Tajuddin, 2024). This alignment also facilitates comparability across different jurisdictions, promoting a cohesive approach to zakat management.

Considering benefits-in-kind (BIK) in zakat calculation reflects the adaptive orientation of Islamic jurisprudence, where rulings evolve in response to public interest and changing economic structures. The inclusion of BIK supports the higher objectives of Maqāṣid al-Sharī'ah, particularly in promoting equitable wealth redistribution, as modern remuneration increasingly extends beyond cash-based income. Previously established principles of *maslahah* (public welfare) and *qiyās* provide the doctrinal basis for extending legal valuation to new income forms sharing the same effective cause ('illah). Accordingly, the valuation of BIK for zakat purposes is jurisprudentially consistent and reinforces distributive justice within contemporary zakat systems, as highlighted by Chapra (Khoirul et al., 2023; Kusnan et al., 2022) and supported in earlier scholarship by Dusuki & Abdullah (2007) and Kamali (2011).

According to Al-Qaradawi (1999) zakat is a means by which significant efforts for redistribution and alleviation of poverty take place. Also, not including BIK in the zakat assessment can be inequitable, as people receiving very large amounts of non-cash benefits (e.g. company cars) can pay less zakat than their apparent economic means. Al-Qarāfi (1998) notes how formality matters when it comes to legal distinctions. Thus, zakat calculations that consider BIK would ensure that the true economic benefit has been received by individuals and anything beyond that has been deducted and treated with charity. This helps to uphold the ethical intentions of zakat, promoting justice and equity in society.

A similar view on the assessment of agricultural zakat is presented by Hamat & Hanapi (2016), who put forward the importance of proper valuation of seedlings for fairer zakat collection. Similarly, accurate BIK valuations are essential to ensuring the integrity of zakat assessments. The approaches used in agricultural zakat can inspire BIK valuation frameworks in this regard, drawing from established standards in Islamic accounting. A larger framework that allows for the separability of similar zakat categories provides both consistent value on a macro level and value at the micro level of law. Such stability affirms the certainty of the zakat foundation and encourages contributors to pay zakat.

Standardized BIK valuations would require collaboration among zakat institutions, tax authorities, and scholars in Shariah. Cooperation like this is essential for establishing robust oversight frameworks in Islamic financial institutions. Joint engagement will ensure that valuation methods are Shariah-compliant and can be practically applied. This collaborative methodology fosters the cross-pollination of knowledge and resource utilization, resulting in stronger and more widely accepted standards. These collaborations ultimately enhance the efficiency and credibility of zakat administration (Ahmad et al., 2023; F. Faizi & Shuib, 2024; Mohd Asri et al., 2020).

Training and capacity building are essential for the successful implementation of BIK valuation in zakat assessments. Hamat et al. (2017) emphasizes the need for educating zakat officers and contributors on the importance and methods of BIK valuation. By providing comprehensive training programs, zakat institutions can ensure accurate and consistent application of valuation standards. This education fosters a culture of transparency and accountability, encouraging voluntary compliance among zakat payers. Moreover,



well-informed personnel can effectively address queries and concerns, further strengthening trust in the zakat system.

Technological advancements can facilitate the integration of BIK valuation into zakat accounting systems. The adoption of digital platforms enables efficient data collection, analysis, and reporting, streamlining the valuation process. Accounting and Auditing Organization for Islamic Financial Institutions (2021) recognizes the role of technology in enhancing the accuracy and transparency of Islamic financial practices. By leveraging such technologies, zakat institutions can reduce administrative burdens and improve service delivery. This modernization aligns with global trends in financial management, ensuring that zakat systems remain relevant and effective.

In conclusion, the inclusion of Benefits-in-Kind in zakat assessments is both a jurisprudential necessity and a practical imperative. By adapting existing tax valuation models, adhering to international accounting standards, and embracing technological innovations, zakat institutions can ensure fair and transparent assessments. This approach aligns with the objectives of Shariah, promoting justice, equity, and social welfare. Collaborative efforts among stakeholders and continuous capacity building are vital for success.

### **Harmonization Between Zakat and Tax Systems**

Malaysia's zakat fatwas currently demonstrate significant gaps in consensus regarding the inclusion of BIK. Although certain states such as Kelantan, through Majlis Agama Islam Kelantan (MAIK), have explicitly affirmed zakat obligations on employment income, their fatwas often lack clarity regarding the mandatory inclusion of BIK (Zahri et al., 2024). This inconsistency largely arises from varying interpretations of the concept of *mal mustafad* (acquired wealth), resulting in discrepancies and confusion among taxpayers. To address

these jurisprudential inconsistencies, there is a need for uniform fatwa development across Malaysian states, guided by a central coordinating body such as a national zakat council. Such coordination would not only enhance clarity (*idrah*) and justice (*adl*) but also lay a strong foundation for aligning zakat practices with broader national financial reporting frameworks, particularly those administered by the Inland Revenue Board of Malaysia (IRB).

In this context, harmonizing zakat and taxation systems represents a strategic step toward overcoming both interpretative ambiguity and administrative inefficiencies in zakat management (Nugraha et al., 2020; A. Y. Q. Saad & Al-Foori, 2020). The existing mechanisms implemented by LHDN, especially their detailed and standardized reporting guidelines for BIK, provide a robust, practical framework that SIRC's can adopt directly for their valuation processes (Hamat, 2016; Inland Revenue Board of Malaysia, 2019). By integrating these tax-based valuation models into zakat assessments, authorities could more effectively fulfill the Maqasid Shariah of easing religious duties (*raf' al-haraj*), subsequently increasing compliance rates and zakat revenue for public welfare programs (Mohamed & E-sor, 2025; Wijayanti et al., 2022; Zuhdi et al., 2024). Utilizing IRB's established reporting infrastructure would further improve transparency and accuracy in zakat assessments, significantly reducing duplication of administrative tasks. Thus, such harmonization not only resolves existing jurisprudential discrepancies but also promotes administrative coherence, benefiting both religious and civic institutions.

Integrating BIK into zakat assessments through existing IRB records significantly enhances documentation integrity and prevents double standards. Employees already familiar with the detailed procedures involved in reporting BIK under taxation rules would encounter minimal or no additional barriers in discharging their zakat

obligations. This alignment also promotes consistency, reducing confusion among taxpayers and facilitating smoother compliance with religious duties (Hamat, 2016). Ensuring that both systems adopt a consistent methodology will enhance public trust, especially in maintaining transparency and fairness across assessments (Hamat, 2016; Inland Revenue Board of Malaysia, 2019). The synchronization of these two systems provides practical solutions to administrative inefficiencies commonly experienced by zakat and tax authorities separately (A. Y. Q. Saad & Al-Foori, 2020). Ultimately, this integration approach aligns effectively with principles from both Islamic jurisprudence (fiqh) and contemporary administrative practices (Gueydi, 2022).

Leveraging existing tax structures for zakat collection has been explored extensively and is supported by empirical research. For instance, studies have identified that zakat payment offset systems positively influence income tax collection, indicating integration is both feasible and beneficial (Samad et al., 2016). Utilizing established mechanisms of tax reporting and valuation can enhance zakat collection rates, thus increasing resources available for social welfare and development programs (Hamat, 2016; A. Y. Q. Saad & Al-Foori, 2020). Furthermore, harmonizing these systems reduces duplication of administrative tasks, resulting in cost savings for governmental institutions (Inland Revenue Board of Malaysia, 2019). The broader implication is that an integrated system could optimize zakat's potential role in national economic development, bridging financial obligations from both religious and civil perspectives (Gueydi, 2022). Adopting standardized methods can therefore facilitate better coordination between governmental and religious institutions, further strengthening public financial management (Nasoha & Atqiya, 2025; Puspita, 2025; Yasni & Erlanda, 2020).

Moreover, the harmonization between zakat and taxation addresses potential issues of double taxation, promoting equitable treatment for Muslim taxpayers. Currently, Malaysia allows for certain tax deductions based on zakat payments, reflecting recognition of the complementary relationship between religious and civic financial responsibilities (Al-Mamun & Haque, 2015). Such policy initiatives encourage zakat compliance and contribute to increased trust in governmental policies (Abdul-Rahman et al., 2023; Gueydi, 2022). By explicitly acknowledging zakat payments within taxation frameworks, authorities help prevent taxpayer resentment due to perceived financial redundancies or inequities (Inland Revenue Board of Malaysia, 2019). The elimination or reduction of double taxation is consistent with the broader principles of fairness and equity inherent in both Islamic jurisprudence and modern tax systems (A. Y. Q. Saad & Al-Foori, 2020; Sa'idah & Suryanto, 2023; Wahyuni, 2020). Therefore, strategic integration clearly supports fiscal justice and public acceptance, enhancing voluntary compliance rates among taxpayers (Abdul-Rahman et al., 2023).

From a legal and administrative perspective, aligning zakat and tax assessments simplifies compliance procedures, thereby encouraging participation among Muslim taxpayers. Lembaga Hasil Dalam Negeri Malaysia (LHDN)'s detailed guidelines on income reporting can serve as standardized criteria for zakat calculations, minimizing ambiguity and promoting consistency (Darapar & Haron, 2022; Mat Isa et al., 2021; Nor Paizin, 2021). Harmonization provides a clear and uniform set of rules, significantly reducing the risk of discrepancies and disputes that often arise due to unclear valuation methods. Additionally, this consistency improves accountability, facilitating monitoring and evaluation efforts by authorities. Adopting a unified reporting standard reduces compliance costs, allowing SIRC's to efficiently utilize existing governmental data for their

administrative purposes. Thus, an integrated reporting mechanism enhances both legal clarity and administrative efficiency.

Furthermore, integrating zakat into the broader national fiscal framework has considerable potential to foster economic and social development. Effectively managed zakat funds can significantly support welfare initiatives, alleviate poverty, and contribute towards achieving Sustainable Development Goals (SDGs) ([Haji-Othman et al., 2021](#)). Harmonization thus not only facilitates individual compliance but also aligns zakat contributions strategically with broader socio-economic objectives. Nonetheless, full integration faces challenges, notably the distinct conceptual and philosophical foundations underlying zakat and modern taxation systems ([R. A. J. Saad et al., 2020](#)). Addressing these differences necessitates ongoing dialogue among religious scholars, policymakers, and administrative authorities to navigate practical complexities. Therefore, systematic collaboration is essential to develop robust frameworks that maintain religious authenticity while achieving administrative and economic efficiency.

### **Benefits in Kind into Malaysia's Zakat System: Challenges and Solutions**

Integrating Benefits in Kind (BIK) into Malaysia's zakat system represents a necessary evolution in zakat administration, but effective implementation requires a structured, transparent, and nationally harmonized approach. While BIK has been recognized by Malaysia's tax authority Lembaga Hasil Dalam Negeri (LHDN), zakat institutions operate independently at the state level, leading to inconsistent treatment of BIK in zakat assessments. Given that BIK – such as employer-provided housing, vehicles, and utilities significantly reduces individual financial burdens, its exclusion risks understating real disposable wealth and weakening zakat's redistributive potential. To address these systemic limitations,

strategic governance, procedural alignment, and stakeholder literacy must be strengthened so that BIK valuation can be operationalized without compromising Shariah principles or administrative practicality.

One of the most critical steps is the establishment of standardized national guidelines that harmonize with LHDN's existing BIK valuation infrastructure. Current models applied by the Inland Revenue Board of Malaysia (IRB) demonstrate that valuation can be formulaic, defensible, and automation-ready, meaning that the challenge of BIK inclusion is procedural rather than jurisprudential. Standardization would provide uniform benchmarks for states, ensure proportional zakat contribution based on real economic benefit, and eliminate arbitrary differences across employers and taxpayers. In parallel, a unified national fatwa issued by a central religious authority is essential to consolidate jurisprudential legitimacy and remove interpretative divergence among state councils. Clear national rulings simplify institutional messaging and empower state zakat bodies with authoritative religious and legal backing, reinforcing that BIK inclusion is not an optional reform but part of sustaining zakat's ethical and socioeconomic mandate.

Beyond valuation consistency and religious legitimation, institutional oversight must also be intensified. Implementing robust Shariah audit mechanisms establishes traceable audit trails, mitigates governance risks, and strengthens accountability in BIK-based zakat computations. This is consistent with global governance thinking endorsed in AAOIFI standards previously discussed, which affirm institutional integrity as a core maqasid-aligned requirement. Ultimately, public awareness and stakeholder education must expand in tandem with regulation. Employers, employees, and contributors already familiar with tax-based BIK reporting would face minimal additional friction in zakat compliance if engagement is supported

through sustained campaigns that emphasize ethics, cash-equivalent value, and public welfare outcomes. With guideline alignment, national fatwa authority, strong auditing, and continuous public literacy, BIK integration can enhance equity, broaden the zakat base, and fortify the institutional credibility of Malaysia's zakat ecosystem.

### **Standardized Guidelines**

Developing standardized guidelines for zakat valuation of BIK that align with IRB's framework is essential for harmonizing religious and civil obligations. IRB already employs robust valuation methods such as the prescribed value method and the formula method, offering reliable benchmarks for zakat institutions ([Inland Revenue Board of Malaysia, 2022](#)). Adopting these methods reduces inconsistencies and enhances fairness in zakat assessments. Furthermore, uniform guidelines simplify compliance procedures for both employers and employees who are familiar with existing tax practices. Such standardization increases transparency, thereby fostering public trust in zakat management ([Hamat, 2016](#)).

Clear guidelines would minimize ambiguities surrounding the valuation of BIK, facilitating accurate zakat calculations. Hamat (2016) suggests that standardized rules ensure the smooth integration of zakat into existing fiscal frameworks. These guidelines would also mitigate confusion among payers regarding the exact valuation methods applicable to BIK. Moreover, consistency in assessment criteria across Malaysia's zakat institutions could significantly boost compliance rates. Therefore, national zakat bodies must officially adopt valuation models paralleling LHDN's practices to ensure effective zakat administration.

Standardizing zakat valuation methods through official guidelines would not only streamline administrative processes but also promote efficiency. Aligning zakat and tax reporting methods effectively reduces administrative burdens and enhances public

accountability (Hamat, 2016). Zakat bodies utilizing recognized valuation methods from LHDN can confidently defend their assessments in potential disputes. Uniform guidelines also enable better monitoring and auditing of zakat collections. Consequently, the harmonization of zakat valuation through standardized guidelines fulfills the broader objectives of Maqasid Shariah, particularly the ease of religious duties (*raf' al-haraj*).

### Unified Fatwa

Issuing a comprehensive fatwa by the National Fatwa Council is vital to unify religious rulings on zakat obligations related to BIK. Currently, variations in interpretations among states cause inconsistencies, complicating the implementation of zakat obligations (Samad et al., 2016). A national-level fatwa would clearly articulate the necessity and rationale behind imposing zakat on all employment-related benefits. By harmonizing religious edicts, the unified fatwa ensures equal treatment and prevents confusion among zakat payers. Consequently, such standardization facilitates widespread compliance and consistent zakat collection practices throughout Malaysia (Al-Mamun & Haque, 2015).

The unified fatwa should explicitly address contemporary employment benefits to enhance religious legitimacy and public acceptance. Clear fatwas significantly improve Muslims' understanding of their religious duties, positively influencing compliance behaviors (Al-Mamun & Haque, 2015). Moreover, a unified position on BIK removes existing uncertainties, enhancing both transparency and ease of compliance. Aligning religious interpretations across jurisdictions reduces administrative complexities and prevents disputes arising from varied interpretations. Ultimately, this promotes greater efficiency within zakat administration and strengthens institutional credibility (R. A. J. Saad et al., 2020, 2023; Sawmar & Mohammed, 2021).



Additionally, a unified fatwa strengthens zakat institutions' authority to enforce zakat obligations effectively. Hamat (2016) argue that clearly defined religious mandates significantly impact zakat collection rates and institutional efficiency. The National Fatwa Council's ruling provides religious and legal backing necessary to persuade taxpayers of their obligations. Moreover, it simplifies communication efforts, allowing clearer messaging during public awareness initiatives. Thus, a unified fatwa directly supports the effective realization of zakat's socioeconomic objectives.

### **Shariah Audit Mechanisms**

Introducing robust Shariah audit mechanisms in zakat institutions is crucial for ensuring transparency and accountability in BIK assessments. Shariah audits provide an independent verification process that assures stakeholders about compliance with Islamic principles (Hamat, 2016). Regular audits also help identify discrepancies or errors in zakat calculations early, enabling timely corrective actions. Enhanced transparency through audits promotes higher public trust in zakat institutions. Moreover, systematic auditing directly supports institutional integrity, a fundamental aspect of successful zakat management (R. A. J. Saad et al., 2020).

Establishing clear audit trails specifically designed to monitor BIK inclusion in zakat assessments is equally essential. These audit trails offer documented evidence, assisting auditors in verifying the accuracy and completeness of zakat assessments (Hamat, 2016). Effective audit trails strengthen internal controls, minimizing opportunities for misuse or mismanagement of zakat funds. Furthermore, documented audit processes provide evidence during legal or regulatory evaluations, reinforcing institutional credibility. Hence, the introduction of detailed Shariah audit trails contributes significantly to compliance with both religious and civil financial regulations.

Regular Shariah audits create a culture of accountability and ethical compliance within zakat institutions. Hamat (2016) emphasizes that regular auditing practices significantly enhance governance standards within Islamic financial institutions. Institutionalizing regular audits compels management to consistently adhere to established guidelines and practices. Furthermore, periodic audits encourage continuous improvement in processes and procedures. Ultimately, systematic Shariah auditing helps zakat institutions fulfill Maqasid Shariah by safeguarding public trust and ensuring fair distribution of zakat proceeds.

### **Public Awareness Campaigns**

Effective public awareness campaigns are fundamental to increasing compliance with zakat obligations on BIK. Educational initiatives significantly enhance understanding among employers and employees about their ethical and religious duties regarding zakat (Al-Mamun & Haque, 2015). Public knowledge positively influences zakat compliance, thereby facilitating smoother administrative implementation. Strategic communication using multiple platforms can effectively reach diverse demographic groups, maximizing campaign impact. Therefore, campaigns must be carefully designed to deliver clear and persuasive messages regarding the importance and benefits of zakat compliance (Haji-Othman et al., 2021).

Public awareness campaigns should also emphasize the ethical dimensions of zakat payments, particularly related to socioeconomic equity. Al-Mamun & Haque (2015) highlight that ethical understanding significantly motivates compliance behaviors among taxpayers. By connecting zakat payments directly to broader social welfare outcomes, campaigns reinforce the moral obligations underlying zakat. Clear communication of the social impacts of zakat also encourages positive public perceptions and willingness to

comply. Thus, ethical messaging integrated into awareness programs strengthens both individual compliance and social solidarity.

Finally, sustainable public awareness requires continuous education rather than intermittent efforts. Periodic reinforcement of messages through consistent campaigns maintains high levels of public consciousness (Samad et al., 2016). Continuous education ensures that public knowledge remains up to date with any changes in guidelines or religious rulings. Additionally, sustained efforts foster an enduring culture of compliance rather than temporary increases in zakat payments. Consequently, sustained and consistent awareness initiatives significantly contribute to the long-term effectiveness and stability of zakat collection systems.

## CONCLUSION

The inclusion of Benefits in Kind (BIK) within Malaysia's zakat framework is both a jurisprudential requirement and a policy reform necessity. Grounded in Maqāṣid al-Sharī'ah, particularly *hifẓ al-māl* (wealth preservation), *'adl* (justice), and *taṣfiyah wa tazkiyah* (purification), this study affirms that BIK constitutes a genuine form of economic gain and should thus be recognized as zakatable wealth. The analysis demonstrates that adopting standardized valuation practices, such as those outlined by the Inland Revenue Board's (IRB) hybrid methods and guided by AAOIFI's FAS 9 and GS 8 standards, provides both administrative precision and Shariah consistency.

To ensure institutional credibility and uniformity, this study proposes four key reforms: (1) formalizing cash-equivalent valuation standards for BIK, (2) issuing a unified national fatwa to eliminate interpretative ambiguity, (3) implementing Shariah-compliant audit mechanisms, and (4) enhancing public awareness to strengthen compliance. Collectively, these measures will harmonize zakat and

taxation practices, fostering greater transparency, equity, and trust in zakat institutions.

Future research should expand to include empirical evaluations of the socioeconomic impacts and compliance behaviors of these reforms across stakeholders. A data-driven understanding of how BIK integration affects zakat collection efficiency and income redistribution will provide crucial insights for policy standardization. Ultimately, recognizing BIK in zakat assessments represents not merely a procedural adjustment but a reaffirmation of zakat's enduring relevance as a divinely mandated instrument of economic justice and moral accountability.

### **Author Contributions**

Conceptualization: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Data curation: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Formal analysis: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Funding acquisition: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Investigation: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Methodology: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Project administration: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Resources: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Software: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Supervision: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Validation: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Visualization: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Writing – original draft: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H.; Writing – review & editing: F.'A.Z., M. 'A.Z., A.A., F.H.I., & Z.H. All authors have read and agreed to the published version of the manuscript.

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### **Informed Consent Statement**

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## **Data Availability Statement**

The data supporting the findings of this study are available from the author upon reasonable request.

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## **Conflicts of Interest**

The authors declare no conflict of interest related to this research.

## **Declaration of Generative AI and AI-Assisted Technologies in the Writing Process**

During the preparation of this work, the authors used ChatGPT and PaperPal to improve the clarity of the language and readability of the article. After using these tools, the authors reviewed and edited the content as needed and took full responsibility for the content of the published article.

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