



**A PROPOSED FRAMEWORK TO ADDRESS THE DEDUCTION
STAGNATION OF INCOME ZAKAT IN PAYROLL SYSTEMS: A
CASE STUDY OF IIUM STAFF AT IIUM GOMBAK**

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ABSTRACT

This paper examines the deduction stagnation of income zakat deductions within the payroll system at the International Islamic University Malaysia (IIUM) Gombak Campus, located in Selangor. Despite regular adjustments in staff salaries due to annual increments, promotions, and changes in statutory salary from the government, the monthly zakat deduction amounts have remained largely unchanged for many employees each year. Drawing on payroll data, zakat deduction records, and guidelines under the Lembaga Zakat Selangor (LZS), the study identifies systemic, behavioral, and procedural factors contributing to the non-adjustment of zakat deductions. This case study adopts a qualitative document analysis approach supported by quantitative descriptive statistics to trace patterns and inconsistencies in income zakat deductions over changes in income for two (2) periods. The findings suggest that limitations in the payroll system’s automation, lack of periodic zakat reassessment protocols, and insufficient staff engagement are key contributors to the issue. To address these challenges, this study adopts the principles of Behavioral Economics, specifically Thaler and Sunstein’s Nudge Theory (Thaler & Sunstein, 2008) and the concept of the Default Effect to propose a new mechanism. This study underscores the need for a dynamic zakat deduction framework that aligns with actual income fluctuations, in accordance with Shariah principles and contemporary best practices in Islamic Social Finance.

Keywords: Deduction Stagnation, Income zakat, Salary Deduction, Payroll System

INTRODUCTION

Zakat is one of the five fundamental pillars of Islam and serves as a critical instrument in the redistribution of wealth and alleviation of poverty (Islamic Relief, 2022). Among the various categories of zakat, zakat on income has increasingly gained attention as a significant source of collection, particularly in modern Islamic states where salaries form the bulk of individual income (LZS, 2021). In Malaysia, the administration of zakat falls under the jurisdiction of each state's Islamic religious council. For Selangor, including the International Islamic University Malaysia (IIUM) in Gombak Campus, the management and collection of zakat, including income zakat, is under the purview of Lembaga Zakat Selangor (LZS). However, for IIUM staff, the income zakat deductions are managed internally by the IIUM Endowment Fund office (IEF), operating as an appointed Assistant Amil (Penolong Amil IPT) for LZS. In this capacity, the IEF facilitates monthly deductions, collections, and remittances to LZS (IEF, 2025). Subsequently, a certain percentage of the collection is returned to IEF by LZS as wakalah (agency fee) distribution agreed upon by both parties, which is then utilized to benefit IIUM beneficiaries in need.

Currently, income zakat deductions in Selangor are made on a voluntary basis, where employees or LZS must manually inform the employer's Payroll Unit to execute monthly salary deductions (LZS, 2025). While this system offers flexibility, it lacks automation and regular updates, which often lead to unchanged or outdated deduction amounts, especially in cases where salaries or allowances change over time. This problem is exacerbated by the fact that income zakat is not treated with the same systematic enforcement as Malaysia's income tax, which uses a mandatory Monthly Tax Deduction (MTD or PCB) scheme administered by the Inland Revenue Board (LHDN).

This voluntary nature has serious implications. Many employees may not fulfill their zakat obligations accurately or consistently, either due to ignorance, lack of awareness, or assumptions that zakat is already included in other forms of giving, such as zakat on wealth (Masnan, 2012). The absence of an automated and integrated zakat deduction system results in the potential underpayment of zakat, especially when deductions are not reviewed in tandem with income increases, changes in allowances, or shifts in personal circumstances that affect zakat reliefs (Mohd Ariffin & Osman, 2022).

The literature highlights several contributing factors to zakat non-compliance: lack of motivation (Doktoralina, 2016a; 2019), low awareness (Yusoff et al., 2018), negative perceptions of zakat mechanisms (Othman, 2018), and lack of trust in zakat institutions (Othman et al., 2019). In addition, some Muslims mistakenly view zakat as non-mandatory once income tax obligations have been met (Mohd Rahim et al., 2011), despite Islamic teachings emphasizing that zakat should be prioritized over tax (Dail, 1988). Without proper integration into the salary system and consistent enforcement, income zakat collections may stagnate, hindering the long-term sustainability of zakat funds and their role in socio-economic development (Mahfuzha et al., 2019).

Given these issues, this study proposes to explore and suggest a framework for integrating income zakat calculation and deduction directly into payroll systems, modeled similarly to the PCB system for income tax. Focusing on the case of the International Islamic University Malaysia (IIUM) staff in Gombak Campus in Selangor, the aim is to ensure that income zakat is systematically and accurately collected in proportion to salary changes, ultimately promoting accuracy and sustainability in zakat fund collections and aligning with the broader objectives of Islamic Social Finance.

Problem Statement

Despite the growing relevance of income zakat in Malaysia's Islamic financial ecosystem, its deduction mechanism through payroll systems remains largely voluntary, stagnant, and manually managed, especially in the state of Selangor, and particularly in this study is in the IIUM. This has led to a persistent issue: the deduction stagnation of income zakat deductions over the years, even when employees' salaries, allowances, or financial circumstances have changed.

Currently, income zakat deductions must be initiated either by the employee or Lembaga Zakat Selangor (LZS), who will then advise the employer's Payroll Unit. Unlike income tax, which is automatically and systematically deducted through the Monthly Tax Deduction (MTD or PCB) system by LHDN, income zakat does not benefit from automation or regular salary-linked updates. Consequently, zakat amounts are often outdated or under-reported unless manually revised, which is something that many employees neglect or overlook. This system suffers from three core issues:

1. Voluntariness and Lack of Enforcement

Since zakat deductions are not mandatory or integrated within the payroll system by default, many employees either delay or completely avoid paying zakat,

assuming that their tax obligations suffice. This undermines religious compliance and contributes to lower zakat collection (Abdul Shukor, 2021, Nur Barizah, 2010).

2. Manual Entry and Calculation Inconsistencies

The current process requires employees or payroll officers to manually key in zakat amounts based on advice from LZS or individual requests. This opens the system to human error, inconsistent calculation bases (gross vs. net income and rate) (Mohd Ariffin & Osman, 2022), and omission of zakatable income components such as fixed allowances, extra income, or bonus.

3. Stagnant Deduction Values Over Time

Without automation, income zakat deductions often remain unchanged for years, even as salaries increase or change, or personal zakat reliefs (e.g., numbers of dependents) evolve. This results in inaccurate zakat contributions, which may be viewed as inconsistent with the ethical and religious expectations of income zakat compliance, and limits the financial sustainability of the zakat fund (Abdul Shukor, 2021).

While income tax calculations are dynamically adjusted in real time based on salary changes and declared reliefs, zakat on income remains a separate and static process, disconnected from the financial realities of employees. This disconnection not only affects individual compliance but also poses a broader challenge to zakat fund optimization and sustainability, collection and distribution planning, and economic justice (Darapar et al., 2022).

Therefore, there is a pressing need to restructure the method of income zakat deduction by integrating it directly into the payroll system as an automated, real-time calculation and deduction process, modeled after the efficiency and responsiveness of the PCB of LHDN system.

Purpose of the study

Although income zakat is a religious obligation, its voluntary nature often results in low participation rates, delayed deductions, and inaccurate calculations, particularly when salaries change over time (Nur Barizah, 2010; Darapar et al., 2022). Therefore, this study seeks to examine and propose an enhanced deduction framework that integrates zakat directly into payroll systems, mirroring the mandatory income tax deductions implemented by LHDN. The following research objectives and research questions for this study purpose.

Research Objectives

RO1: To identify the issues of deduction stagnation of income zakat collection through salary deduction.

RO2: To determine the administrative and systemic bottlenecks preventing deduction updates for accurate income zakat payment through salary deduction.

RO3: To propose a mechanism or framework of calculation in the salary system for accurate income zakat collections through salary deduction.

Research Questions

RQ1: What are the issues of deduction stagnation of income zakat collection through salary deduction?

RQ2: What are the administrative and systemic bottlenecks preventing deduction updates for accurate income zakat payment through salary deduction?

RQ3: What is the mechanism or framework of calculation in the salary system for accurate income zakat collections through salary deduction?

This study will examine the practices of the International Islamic University Malaysia (IIUM), that manage income zakat deductions through salary systems. By analyzing the overall processes of zakat deduction, calculation, and administration, the study provides a set of recommendations aimed at improving motivation, awareness, perception, efficiency, accuracy, and compliance in zakat payments. ensuring alignment with both Shariah principles and administrative practicality, particularly to avoid deduction stagnation of income zakat salary deduction over the years although the income changes due to annual increment, promoted to higher position, government salary initiatives increment and other factors.

LITERATURE REVIEW

This literature review section explores key scholarly contributions related to the motivation, awareness, perception, compliance, and administration of income zakat, particularly in the context of salary deduction systems. It addresses conceptual and practical gaps that support the case for automating zakat deductions through payroll integration.

Motivation to Pay Income Zakat

Motivation plays a critical role in zakat compliance. According to Doktoralina (2016a), both intrinsic motivations, such as religious obligation and fear of divine

punishment, and extrinsic motivations, such as tax rebates or social recognition, influence the willingness of Muslims to pay zakat. In a follow-up study, Doktoralina (2019) emphasized that while intrinsic motivation is strong among many Muslims, it often fails to translate into consistent behavior unless supported by systemic enforcement or social pressure.

Awareness and Perception

Awareness of income zakat requirements and perception of zakat institutions are also pivotal. Yusoff et al. (2018) found that many Muslim professionals in Malaysia had low awareness regarding the exact calculation and obligation of income zakat. Furthermore, Othman (2018) reported that negative perceptions about the transparency and effectiveness of zakat institutions lead to distrust and reluctance to pay zakat, especially via formal mechanisms such as salary deductions. This contributes to the voluntary nature of compliance and exacerbates deduction stagnation of zakat deduction over time.

Compliance and Institutional Confidence

Abdul Shukor (2021) explored zakat compliance behavior among employees and found that the lack of a systematic deduction mechanism was a significant barrier to consistent zakat payment. Many employees are willing to pay zakat but prefer a more convenient and automated method, similar to how income tax is deducted monthly. Without such automation, compliance depends heavily on personal initiative, which varies widely across individuals.

Recognition, Measurement, and Collection Challenges

Another major issue concerns the inconsistency in how zakat is calculated and collected. Othman et al. (2019) and Adib et al. (2019) highlight the lack of standardized recognition and measurement practices for zakat on income across different states. Some calculate from gross income, while others use net income after allowable deductions. This variation, combined with manual input in payroll systems, often leads to inaccurate zakat assessments and missed components of other income such as bonuses, fixed allowances, or other benefits.

Comparison to Income Tax (MTD/PCB)

Income tax in Malaysia is deducted monthly under the PCB system, which automatically adjusts based on changes in income, marital status, and other tax reliefs. In contrast, income zakat is manually updated only when the employee or

LZS submits a new deduction advice to the Payroll Unit. As Dail (1988) asserts, zakat should be at the top of the Islamic financial structure, even more central than income tax. However, due to the lack of mandatory enforcement and automation, many Muslims believe income tax replaces the need for zakat, or view zakat as optional if taxes are paid (Mohd Rahim et al., 2011), reflecting a serious misconception about Islamic obligations.

Zakat Sustainability and Economic Impact

From a macroeconomic perspective, Mahfuzha et al. (2019) emphasize that zakat plays a strategic role in supporting Muslim economic welfare, reducing inequality, and funding social programs (Islamic Relief, 2022). However, for zakat to be effective and sustainable, its collection must keep pace with income growth and demographic changes. The deduction stagnation of zakat deductions due to stagnant or deduction stagnation values in payroll systems threatens this sustainability, particularly in high-income and urbanized states like Selangor.

Theoretical Basis of the Framework: Nudge Theory and Choice Architecture

To theoretically ground the shift from manual to automated deductions, this study adopts the principles of Behavioral Economics, specifically Thaler and Sunstein's Nudge Theory (Thaler et al., 2008) and the concept of the Default Effect. The high rate of deduction stagnation (50.82%) observed in the findings suggests that the current voluntary system suffers from "Status Quo Bias" or inertia, where individuals tend to maintain their current state due to the cognitive effort required to calculate and update payments manually. The proposed framework addresses this by restructuring the "Choice Architecture" of the payroll system. By integrating an automated calculation engine, the system shifts the mechanism from an "Opt-In" model (requiring active user effort to comply) to a "Default" or "Opt-Out" model. According to the Default Effect, individuals are significantly more likely to adhere to a behavior if it is the pre-set option. This automation removes the "cognitive load" on the payer, ensuring that zakat contributions scale dynamically with salary increments without requiring active human will, thereby overcoming behavioral inertia to guarantee consistent Shariah compliance.

Summary of Literature Review

This literature review highlights key factors influencing income zakat compliance, particularly within payroll-based salary deduction systems.

Motivation to pay zakat is shaped by both intrinsic religious values and extrinsic incentives, yet consistent compliance often requires systemic enforcement (Doktoralina, 2016a; 2019). Low awareness and negative perceptions of zakat institutions further hinder formal compliance, especially through salary deductions (Yusoff et al., 2018; Othman, 2018). The absence of automated deduction mechanisms forces reliance on individual initiative, leading to inconsistent zakat payments despite employee willingness (Abdul Shukor, 2021). Inconsistencies in calculation methods across states, along with manual payroll processes, result in inaccurate assessments and missed other income components (Othman et al., 2019; Adib et al., 2019). Compared to Malaysia's automated and responsive income tax system (PCB), zakat deductions remain static unless manually revised, reinforcing misconceptions that income tax substitutes for zakat (Dail, 1988; Mohd Rahim et al., 2011). This stagnancy undermines zakat's sustainability and economic impact, particularly in high-income regions like Selangor where deductions fail to keep pace with salary growth (Mahfuzha et al., 2019).

METHODOLOGY

The research methodology employed to investigate the phenomenon of deduction stagnation in income zakat deductions among IIUM staff, particularly those based at the Gombak Campus in Selangor, adopts a qualitative document analysis approach supported by quantitative descriptive statistics. While document analysis is utilized to interpret institutional guidelines and payroll protocols, quantitative descriptive statistics, specifically frequencies and percentages, are employed to analyze historical payroll data. This approach allows for the empirical quantification of deduction stagnation trends among 1,779 staff members over two distinct periods (2015–2018 and 2019–2023). By calculating the frequency of staff who did not update their deductions and converting these figures into percentages (as presented in Table 2), the study provides evidence-based analysis of the deduction stagnation phenomenon alongside the systemic procedural evaluation. Moreover, it provides a basis for rigorously examining administrative practices and data inconsistencies within the payroll system that could contribute to misalignment between zakat deductions and actual income growth.

Given the objective of this study to identify and understand patterns and causes of non-adjustment in income zakat deductions, a document analysis method is adopted as the primary data collection strategy. Document analysis is a qualitative research method that involves the systematic examination and

interpretation of existing records, such as reports, official documents, or administrative data which is to extract meaningful insights related to the research question (Bowen, 2009). This method allows researchers to analyze both the content and contextual features of documents to uncover patterns, perspectives, and institutional practices that might not be readily apparent. Specifically, incorporates quantitative descriptive statistics by calculating the frequencies and percentages of payroll deduction records for income zakat across two defined periods: 2015–2018 (pre-COVID-19) and 2019–2023 (post-COVID-19). This temporal division is designed to explore whether the significant increase in national zakat collection reported after the COVID-19 pandemic, as highlighted by JAWHAR (2025), and corroborated by the findings of Paizin et al. (2022), had any corresponding effect on the income zakat deduction patterns among IIUM staff.

Payroll data and zakat deduction records are examined to identify staff members whose zakat deduction amounts remained stagnant or no movement despite documented increases in gross salary. This method allows the study to detect systemic or administrative lapses, lack of automation in reassessment protocols, or policy gaps that may hinder accurate zakat deductions. The document analysis provides an evidence-based foundation to support the study's conclusions and policy recommendations aimed at improving institutional zakat deduction mechanisms. Meanwhile, the quantitative descriptive statistics serve to empirically quantify the magnitude of the deduction stagnation, validating the prevalence of the deduction stagnation phenomenon among the staff population.

Related to the topic of this study, the selection of IIUM staff is selected, as they are situated within the Selangor state jurisdiction where the region under the administration of Lembaga Zakat Selangor (LZS) and have likely been exposed to formal and informal zakat-related knowledge through institutional programs and engagement, and also religious instruction (Barizah et al., 2010; Zain, 2014). This context makes them a pertinent group for examining both awareness and behavioral trends related to income zakat deductions.

Deduction Stagnation in Income Zakat Deduction Among IIUM Staff

To effectively analyze the deduction stagnation of income zakat deductions among staff at the International Islamic University Malaysia (IIUM) Gombak Campus, this study divides the data into two distinct periods: 2015–2018 and 2019–2023. This division serves a purposeful analytical function, reflecting the pre and post-COVID-19 pandemic contexts. The rationale for this period

categorization stems from the observed economic, institutional, and behavioral changes triggered by the pandemic, which had implications for charitable giving, including zakat contributions, reflected from the JAWHAR report on statistic of zakat collection (JAWHAR, 2025) and further backed up by the publication and research of Paizin et al. (2022).

The first period, 2015–2018, captures the years before the onset of the COVID-19 pandemic. During this time, economic activities were relatively stable, and income zakat deductions were processed based on routine payroll mechanisms, with minimal external pressures influencing staff behavior. The second period, 2019–2023, encompasses the time during and after the pandemic, when Malaysia, like many countries were underwent major socioeconomic shifts. The pandemic increased the visibility and urgency of social finance mechanisms, including zakat, as a tool for social protection and poverty alleviation (Paizin, et al., 2022).

Table 1: Property and Fitrah Zakat Collection Statistics for the State (SELANGOR).

Tahun	Zakat Harta (RM)	Zakat Fitrah (RM)	Jumlah Keseluruhan (RM)
2024	1,177,130,531.00	40,956,352.00	1,218,086,883.00
2023	1,081,817,802.00	37,096,189.00	1,118,913,991.00
2022	1,034,886,680.00	32,969,152.00	1,067,855,832.00
2021	959,541,781.00	33,370,178.00	992,911,959.00
2020	881,512,751.00	31,443,792.00	912,956,543.00

Source : JAWHAR 2025

Notably, the Department of Awqaf, Zakat and Hajj (JAWHAR) reported that national zakat collection experienced a significant increase in the post-COVID-19 years. According to JAWHAR (2025), Malaysia saw significant growth in zakat collections between 2020 and 2024 as shown in Table 1 above, particularly in the category of property zakat including income zakat, which reflects higher compliance and institutional deduction schemes. This rise was attributed to multiple factors, including greater public awareness, the digital transformation of zakat payment systems, and institutional campaigns encouraging zakat compliance during times of crisis (LZS, 2021).

Such trends suggest a national movement toward strengthening Islamic Social Finance practices, and one would reasonably expect this to be reflected at

the institutional level, including among salaried staff in public universities like IIUM. There was a slightly decrease in the deduction stagnation of salary deductions at IIUM, as illustrated in Table 2, this improvement does correspond with the increasing zakat collection reports from JAWHAR. However, the proportion of IIUM staff whose income zakat deductions remained unchanged over the years remains high in both periods, 50.82% in 2015–2018 and 44.80% in 2019–2023. While there is a slight decrease in the percentage of deduction stagnation cases in the post-pandemic period, the persistence of the issue raises important questions. Despite the broader national trend of increasing zakat contributions, many IIUM staff members have not seen corresponding adjustments in their monthly income zakat deductions, even though their gross salaries have increased due to annual increments, promotions, and revisions in statutory pay scales.

Data on the Deduction Stagnation in Income Zakat Deduction Among IIUM Staff

The researcher endeavors to conduct document analysis using income zakat collection records managed by IIUM through Payroll Unit, Management Services Division (MSD), and remitted to Lembaga Zakat Selangor (LZS), specifically focusing on salary deduction data from staff of the International Islamic University Malaysia (IIUM) Gombak Campus. This analysis aims to obtain sampling data and identify issues and challenges related to the deduction stagnation of income zakat deductions over the years. To substantiate these findings, the study incorporates quantitative descriptive statistics as analysis support, specifically utilizing frequencies and percentages to empirically quantify the extent of the deduction stagnation. This choice is driven by the study's focus on IIUM employees, deemed practical and expedient owing to their locality in Selangor state, as well as their acquired knowledge and comprehension pertaining to zakat through educational, instructional, and communicative channels (Barizah et al., 2010, Zain, 2014).

This study investigates a specific anomaly observed at IIUM: the deduction stagnation in zakat deductions for a significant portion of IIUM staff at Gombak Campus over 2 periods as Table 2 below:

Table 2: The Deduction Stagnation of Income zakat deduction for IIUM Staff Gombak Campus in Selangor for 2 periods.

PERIOD	NO. OF STAFF INCOME ZAKAT DEDUCTION	DEDUCTION STAGNATION OF INCOME ZAKAT DEDUCTION OVER THE YEARS	% OF DEDUCTION STAGNATION OF INCOME ZAKAT DEDUCTION OVER THE YEARS
2015 - 2018	1,779	904	50.82%
2019 - 2023	1,790	802	44.80%

Source: Researcher Obtain from IIUM

This article examines the pattern of deduction stagnation in income zakat deductions among staff of the International Islamic University Malaysia (IIUM) over a two periods, from 2015 to 2018 and 2019 to 2023. Analysis of payroll data indicates that between the years 2015 and 2018, a total of 1,779 staff members were recorded as having income zakat deductions. Of these, 904 staff members which equivalent to 50.82%, had no movement in their zakat deduction amounts throughout the four-year period. This indicates that over half of the staff continued to contribute the same fixed zakat amount annually, regardless of any potential changes in their salary or financial status.

The lack of adjustment suggests a possible disconnect between income growth and zakat recalculations, which could stem from manual deduction processes, limited awareness among staff about the need to update zakat contributions, or the absence of a system that automatically aligns deductions with income progression. Such deduction stagnation in zakat deduction not only challenges the principles of fairness and proportionality in Islamic social finance but also highlights the need for enhanced mechanisms to ensure zakat obligations are fulfilled accurately and consistently in accordance with Shariah requirements (Abdullah, 2017).

Between the years 2019 and 2023, a total of 1,790 staff members were reviewed in relation to their income zakat deductions. Of this total, 802 staff members, or 44.80%, were found to have no changes or movement in their zakat deduction amounts over the five-year period. This indicates that nearly half of the reviewed staff consistently contributed the same zakat amount annually, regardless of potential changes in their salary or financial circumstances. The lack

of movement may point to several underlying issues, such as static salary deduction bands, lack of awareness or voluntary adjustment by staff, or administrative oversight in updating zakat contributions in line with income growth. This trend raises important questions about the effectiveness and responsiveness of the current zakat deduction mechanism, especially in ensuring equitable and accurate contributions based on actual income (Mohd Rahim et al., 2011).

In a nutshell, a comparative analysis of staff income zakat contributions to Lembaga Zakat Selangor (LZS) over two distinct periods; 2015 to 2018 and 2019 to 2023, reveals a notable trend in the stagnation of zakat deduction amounts. During the period from 2015 to 2018, out of 1,779 staff who contributed to LZS, 904 individuals (50.82%) showed no movement in their zakat deductions. In the subsequent period of 2019 to 2023, although the total number of contributing staff slightly increased to 1,790, the number of staff with unchanged zakat deductions decreased to 802, representing 44.80%. While this slight reduction in the percentage of deduction stagnation suggests some improvement in zakat recalibration practices, the figures still point to a significant proportion of staff which is nearly half of whose zakat deductions remained static despite potential changes in salary or financial obligations.

Nevertheless, the marginal improvement observed in the second period (a 6% reduction in stagnation) may reflect an increased sense of social responsibility among staff triggered by the COVID-19 pandemic. This behavioral shift is consistent with broader national trends reported by JAWHAR (2025), which documented a significant year-on-year rise in property and income zakat collections from RM881 million in 2020 to over RM1.17 billion in 2024. This macro-level surge suggests a heightened public responsiveness to social needs during the crisis.

This observation is further substantiated by Paizin et al. (2022), whose study on zakat payer behavior during the pandemic provides the qualitative link to this statistical trend. Their research confirmed that among payers who increased their zakat contributions in 2020, approximately 24.3% cited the specific motivation to 'help others/asnaf facing difficulties during COVID-19'. Additionally, 75.7% of this group were driven by a heightened sense of 'Religious Responsibility' during the uncertainty of the pandemic.

Therefore, while the statistical improvement in deduction updates at IIUM was marginal, it aligns with these concurrent findings, validating the hypothesis that the reduction in deduction stagnation was likely driven by an intrinsic rise in social and religious consciousness rather than administrative

improvements alone. This persistent trend underscores a need to strengthen awareness, streamline processes, and possibly introduce automated systems to ensure that zakat deductions are accurately aligned with income levels, thereby upholding the principles of equity and accountability in Islamic Social Finance.

While this study highlights the issue of deduction stagnation, it is crucial to acknowledge the approximately 55% of staff (2019–2023) who successfully adjusted their zakat deductions. Unlike the 'non-moved' group, these individuals successfully navigated the manual 'Opt-In' process without automated intervention. Drawing on concurrent research regarding zakat behavior during this period (Paizin, et al., 2022), it can be inferred that this group is characterized by high intrinsic religious motivation. External data indicates that payers who increased contributions during this period were largely driven by 'Religious Responsibility' and a specific motivation to assist *asnaf* during the crisis (Doktoralina, 2016a).

This suggests that the current voluntary system functions primarily for employees with high religious conscientiousness who proactively align their payments with their 'annual increments and promotions'. However, the system fails the remaining ~45% who, lacking this specific behavioral trigger or facing cognitive overload, succumb to the default effect of inaction. Thus, the 'moved' or compliance group demonstrates that while compliance is possible under the current system, it is not systemic but rather dependent on individual moral initiative.

FINDINGS AND DISCUSSION

The high rate of static or deduction stagnation of zakat deductions among staff highlights several systemic issues that need attention. Firstly, there is a lack of awareness regarding the obligation to adjust zakat contributions in line with salary increments or additional allowances. Many employees may not realize that their deductions should increase accordingly, especially in the absence of regular reminders or educational initiatives.

Secondly, the manual nature of the deduction process exacerbates the problem. When staff are expected to take the initiative to revise their zakat amounts, non-compliance becomes more likely; such as lack of awareness and understanding, delays due to manual process, and low enforcement due to voluntariness of income zakat deduction. A non-automated and non-integrated system restricts real-time updates that should align with changes in income.

Thirdly, institutional gaps exist, particularly in the coordination between IIUM's payroll system and Lembaga Zakat Selangor (LZS). Without automated

recalibrations or alert mechanisms, zakat deductions often remain stagnant or no movement, even when there are significant changes in an employee's income. Lastly, this issue has serious Shariah implications. According to Fiqh, zakat must be calculated based on one's nisab-qualifying wealth. If increases in salary are not followed by proportionate adjustments in zakat deductions, there is a risk of underpayment, which could render the zakat obligation unfulfilled. These interconnected issues underscore the need for systemic reform in zakat deduction practices within institutional payroll systems.

Proposed Framework for Income Zakat Deduction through Payroll System

To address the long-standing issue of deduction stagnation in income zakat deductions and ensure compliance with Islamic financial obligations, this study proposes a comprehensive and automated framework for integrating zakat calculation and deduction directly into payroll systems. Then the remittance amount to LZS is the exact amount with an accurate calculation. The framework is inspired by the operational structure of Malaysia's Monthly Tax Deduction (MTD or PCB) for income tax, ensuring regular updates based on employee income changes, reliefs, and personal circumstances.

Key Objectives of the Framework

The proposed framework aims to automate the calculation of income zakat within the salary system by applying a standardized formula approved by Lembaga Zakat Selangor (LZS). It seeks to synchronize zakat deductions with monthly payroll updates, ensuring that any changes in salary, allowances, or the number of dependents are accurately reflected. By eliminating the need for manual input, the system reduces the risk of human error, oversight, or the use of outdated deduction amounts. This framework also promotes continuous compliance with income zakat obligations through a system-based approach, rather than relying solely on voluntary submission by employees and LZS itself. Additionally, it enables integration with LZS databases for real-time updates on zakat relief eligibility and, employee and employer verification.

Components of the Framework

The proposed framework for automating income zakat deductions comprises five main components. Firstly, Income Data Integration ensures that the salary system captures all taxable income elements, including basic salary, fixed allowances, bonuses, honorarium, and others. Each month, this data is directly

fed into a zakat calculator module embedded within the payroll software. Secondly, the Zakat Calculation Engine applies the monthly zakat formula recognized by Lembaga Zakat Selangor (LZS), taking into account eligible reliefs such as those for self, spouse, children, EPF contributions, education, medical expenses, and other approved deductions. These calculations are automatically updated based on employee profiles and declarations maintained within the Human Resource Information System (HURIS) Payroll system, in case of IIUM salary deduction. Thirdly, the Zakat Deduction Auto-Trigger activates once the zakat payable exceeds the nisab threshold. The system dynamically adjusts deduction amounts in response to changes in salary, number of dependents, or updates to relief eligibility. Fourth, the Approval and Notification System informs employees of any changes to their zakat deduction amount. Employees may opt into automatic monthly deductions or choose to confirm the deductions annually. Once approved, deductions continue on a monthly basis unless the employee chooses to opt out. Lastly, the zakat payment and reporting component ensures that the deducted zakat is remitted directly to LZS each month. The system also generates both monthly and annual reports for employees and LZS, and automatically issues tax rebate certificates for employees in accordance with Subsection 6A(3) of Income Tax Act (ITA) which states: *“Tax rebate 6A(3) A rebate shall be granted for a year of assessment for any zakat, fitrah or any other Islamic religious dues payment of which is obligatory and which are paid in the basis year for that year of assessment to, and evidenced by a receipt issued by, an appropriate religious authority established under any written law”* to facilitate annual tax filing.

Benefits of the Framework

The proposed framework offers several key benefits that enhance the overall accuracy and effectiveness of income zakat deduction. Firstly, it ensures accurate and timely deductions by calculating zakat based on up-to-date salary information and applicable reliefs, thereby reflecting the true financial obligation of each employee. Secondly, it promotes improved compliance by automating the deduction process and eliminating the need for manual initiation, which reduces the likelihood of negligence, oversight, or lack of awareness among employees. Thirdly, the system fosters transparency and trust, as employees can clearly see how their zakat is calculated and deducted through a structured and verifiable process, strengthening their confidence in both the payroll system and the zakat institution. Lastly, the framework contributes to the sustainability of zakat funds, as the regular and precise deductions facilitate consistent and

predictable zakat collection. This reliability supports better planning, collection, and distribution of zakat resources for long-term social and economic impact.

Integration with Existing Systems

The successful implementation of the proposed model requires close collaboration among key stakeholders. These include Lembaga Zakat Selangor (LZS), which provides the official zakat calculation guidelines and receives the monthly deductions; IIUM Endowment Fund (IEF), which facilitate IIUM staff zakat fund; Payroll Units, Management Services Division (MSD), which using IIUM's Human Resource Information System (HURIS) for IIUM staff salary deduction, which are responsible for embedding the zakat module within the payroll infrastructure; and employees, who play a crucial role in providing accurate personal data, updating relevant information, and giving consent for zakat deductions. Throughout every stage of system integration and data processing, strict adherence to data privacy and security regulations under the Personal Data Protection Act (PDPA) is essential to protect employee information and maintain trust in the system.

CONCLUSION

This research examined the critical issue of deduction stagnation in income zakat among IIUM staff, especially in Gombak Campus, revealing that nearly half of the employees maintained static deduction amounts over long periods despite receiving annual increments and promotions. The empirical evidence provided by this study confirms that the current voluntary and manual deduction system is structurally destined to fail in keeping pace with economic realities. As long as the mechanism relies on the "Opt-In" or voluntary initiative of the payer, zakat collections will inevitably lag behind salary hikes, statutory adjustments, and inflation, resulting in the unintentional underpayment of religious obligations. To address this behavioral inertia, this study applies Thaler and Sunstein's Nudge Theory (2008) and the concept of the Default Effect.

While the study noted a marginal improvement in payment updates during the COVID-19 period, likely driven by a heightened sense of social responsibility, this relies on transient behavioral motivation rather than systemic reliability. Therefore, this study necessitates a paradigm shift from the current voluntary approach to an "Automated/Mandatory" framework modeled after the LHDN Monthly Tax Deduction (PCB) system. By integrating a dynamic calculation engine directly into the payroll architecture, the system shifts the choice architecture from an effort-laden manual process to an automated default.

Ultimately, the adoption of this proposed framework is not merely an administrative upgrade but a necessity for the sustainability of the zakat fund. It ensures that zakat contributions scale proportionally with income growth without requiring cognitive effort from the payer, thereby guaranteeing accuracy, preventing leakage, and upholding the principles of Shariah compliance in a modern financial context.

This study contributes valuable insights to the digitalization of Islamic social finance and offers a foundation for future policy enhancements. Further research is recommended to evaluate the long-term impact of such frameworks on zakat collection trends, employee attitudes, and the role of institutions in facilitating religious financial duties and finally, zakat fund sustainability, especially in Selangor.

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