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DYNAMIC OF DIVERSITY OF RATE ESTABLISHMENT IN THE PRACTICE OF AGRICULTURAL ZAKAT COLLECTION IN MALAYSIA

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ABSTRACT

The agricultural sector's advancement necessitates modern technology and high-quality seeds and fertilisers; such growth parallels the increased cost of paddy planting in Malaysia. However, Islamic scholars debate several issues regarding the evaluation of the agricultural zakat, including the reason behind the refusal of plant operation and farmers' self-sustenance cost before zakat imposition. This paper aims to analyse the diversity of rate establishment in the practice of agricultural zakat collection in Malaysia by examining the rates imposed based on irrigation and the deduction of some costs before the imposition of zakat. A qualitative approach was employed to interpret the data through inductive, deductive, and comparative methods. As for field research, this study conducted semi-structured interviews with selected states of Malaysia, namely Selangor, Sarawak, Pulau Pinang, Terengganu, and Perlis. The findings indicate that agricultural rates vary significantly between states, ranging from 5% to 7.5 or 10% of the total amount of the crop produced that has reached its nisab. These distinctions arose due to (1) the varied interpretations of the Islamic legal tradition by various schools of juristic thought and (2) the rate of zakat on crops, which requires discussion of irrigation and energy use by farmers. However, this non-uniformity is not attributable to disparities in living levels throughout Malaysia's states. Therefore, further research is required to determine the substantial cost reduction of agricultural zakat in Malaysia, including self-sufficiency cost, considering the current agrarian economy's needs and public interest.

Keywords: dynamic, diversity, rate, agricultural zakat, Malaysia.

INTRODUCTION

Nowadays, the issue of the appropriateness of certain cost deductions before imposing zakat is continuously debating whether at the national or international level, since this issue view as a contemporary issue compared to the case of inconsistency in deciding the nisab for the gantang (*sa'*) metric weight as the rate stipulated by Shara' as a yardstick of the status of one's qualification for zakat to be imposed on him, or otherwise (Hamat & Hanapi, 2016; Ab. Rahman et al., 2010a). National Metrology Institute of Malaysia defined gantang as a dry volume measure akin to the gallon, and it has a smaller version, which is known as cupak (*mudd*) (A. R. Azman et al., 2015).

This matter is closely related to the fixing rate for zakat on crops since it involves discussion on irrigation and energy effort used by the farmers. Debates by previous Islamic scholars (*fuqaha*) such as Ibn Qudamah (1994), al-Nawawi (2002), and Ibn Hazm (n.d.) on the deduction of costs only involved irrigation, by the current situation and local condition at that time that did not involve modern technologies and high costs.

The burden is currently not limited to the irrigation method; rather, it can be understood as production costs borne by the farmers, such as input materials, planting operation involving modern machinery and high capital, and living costs. Therefore, the researcher believes that in expanding the scope of crops subjected to zakat, farmers' welfare and the aspect of beneficiaries (*asnaf*) should be given adequate consideration. Bilo and Machado (2020), Zauro et al. (2020), and Abdullahi (2019) supports this view by highlighting that the purpose of zakat should enhance socio-economic justice among zakat payers and zakat administrators and not limited zakat as a tool for social cause marketing. Hence, appropriateness of deduction on crops operational cost and cost of living before zakat consider as practical reciprocity.

In Malaysia, the truth of zakat distribution is broken down into two groups. First, the zakat distribution is performed in Perlis, Kedah, Perak, Johor, Sabah, Kelantan, Pahang, Melaka, Negeri Sembilan, Sarawak, Federal Territory, and Terengganu under the Islamic Religious Council (SIRCs) of the respective states of Baitulmal. First, while SIRCs has formed "corporate governance" corporate subsidiary that manages zakat in their respective states as the Zakat Collection Centre, Melaka Zakat Centre, Pahang Zakat Collection Centre, and Negeri Sembilan Zakat Collection Centre in the Federal Territory, the power to distribute zakat is still maintained under the SIRCs Baitulmal Collection Centre (Razak et al., 2013; Rahman et al., 2014).

The second category is the distribution rendered by a company or a subsidiary founded specifically by SIRC's to manage the collection and distribution of zakat in an asynchronous and unified manner on behalf of SIRC's, as in the Selangor Zakat Board and Penang Zakat Governance Centre (Rahman et al., 2014). [Table 1](#) shows the administration of agricultural zakat in the states that produced the study samples:

Table 1: Agricultural Zakat Administration in the Selected States of Malaysia

State	Management	Zones
Selangor	Selangor Zakat Board (LZS)	Central Zone
Pulau Pinang	Penang Islamic Religious Council Zakat Governance Centre (MAINPP)	North Zone
Sarawak	Sarawak Baitulmal Fund (TBS)	East Coast Zone
Terengganu	Terengganu Islamic Religious and Malay Customs Council (MAIDAM)	Sabah dan Sarawak Zones
Perlis	Perlis Baitulmal, Islamic Religious and Malay Customs Council (MAIPs)	North Zone

Source: The Website of the State Islamic Religious Council.

This paper aims to examine the rate of agricultural zakat evaluation in Malaysia and the deduction of operating and living costs in Malaysia. The researcher explores a comparative study of management and laws inextricably linked with the agricultural zakat among the chosen states. Among the states are Selangor, Perlis, Sarawak, Penang, and Terengganu. There are several justifications over the states' selection, whereby the first, every state chosen represents every state's zone in Malaysia, as shown in [Table 1](#). Secondly, refers to the diversity of rates and the deduction of different agricultural zakat' costs, as can be followed in [Table 2](#).

Table 2: Evaluation of the Agricultural Zakat in Malaysia

State	Rate	Cost of crops
Selangor	5% only	Operational cost waived
Kedah/ Penang	10% only	Operational cost waived
Pahang/ Terengganu/ Negeri Sembilan/ Kelantan/ Johor /	5% = energy and machinery 10% = rain/river/drainage	Not waived
Perlis	5% = if not waiving any costs 10% = if all costs waived	Waiving the operational
Melaka/ Sarawak/ Kuala Lumpur	5% = energy and machinery 10% = rain/river/drainage 7.5% = both measures	Only Sarawak waives the operational cost

Source: The website of each Malaysian state's Zakat Collection Center (as of September 2022).

The significant contributions of this study should explain zakat estimation that is consistent with current reality and the demand of objective of Shariah. It also scrutinizes the justification for the change made to the estimation of zakat law due to the technological change in globalization today that necessitates the high cost of crops. It also probes into the prerequisites and the method of agricultural zakat by concluding the opinions of earlier Islamic scholars (*fuqaha*) and contemporary scholars. Finally, it also attempts to recommend the estimation of agricultural zakat based on the more dynamic objective of Shariah.

HARMONISING TECHNOLOGY AND AGRICULTURAL ZAKAT

Technological growth has paved the way for significant innovations in different regions. From day to day, the growth of borderless, infinite technology has been relentless as it creates numerous up-to-date systems, resources, and facilities to help people carry out their everyday activities, including those in the education system. As a result, fast-paced technology has a profound influence on almost all processes in the world.

Such radical development makes a system quick, improving the output quantity and speeding up the workflow. The presence informs new methods and approaches to technical knowledge and facts. Technology has become an integral part of society's life and complements the modern world. Agriculture is among the areas that have been established in the growth of technology, where the use of technology in the development of the agricultural sector needs the use of modern

technology, as well as high-quality seeds and fertilisers; such growth is parallel to the increased cost of paddy planting in Malaysia, and local food security could be ensured (Ab Rahman et al., 2019; Hossain, 2019).

Islamic scholars are debating several issues regards to the evaluation of the agricultural zakat, including the reason behind the refusal of the cost of plant operation and farmers' self-sustenance cost before zakat imposition (Ibn Qudamah, 1994; al-Nawawi, 2002; Ibn Hazm, n.d.). However, the majority of the Islamic scholars, including Ibn Hazm, believe that both costs are not waived, and the zakat imposed on the gross product alone because there has been no clear evidence on this decline (Ibn Hazm, n.d.). This view is agreed by Ibn Humam (1970), who debates that the cost decline is only permitted when involving irrigation, based on the hadith by Ibn 'Umar that there is a reduction from 10% to 5% when involving efforts in the crop irrigation method, as below:

Translation: "On poured by the sky or springs, or container, 10 %, and poured by energy 5 %" (al-Bukhari, Kitab al-Zakat, Bab Al-'Usyr Fi Ma Yuskha Min Ma' as-Sama' Wa Bil Ma' Al-Jari, no Hadith 1483).

On the other hand, the second group of Islamic scholars, including Ibn 'Abbas, Ibn 'Umar, Ahmad Ibn Hanbal, allows for the decline of both costs of operation and self-sustenance to be particular about the farmers' welfare. They agreed that this is acceptable on the ground that the *ijtihadiyyah* problems arising from the *ijtihad* of Islamic thinkers according to a hadith are necessary debts in matters of operating cost deduction, which means:

"Narrated by Abu 'Ubaid in the Book of al-Amwal chapter from Jabir bin Zaid who said upon a man who made a loan for his family and farm, he said: Ibn 'Abbas said debt related to his farm is to be deducted, Ibn 'Umar said: productivity debt and funds for his family is also deducted (self-sufficiency)." (Abu Ubaid al-Qasi, 1989)

As mentioned above, Yahya bin Adam also narrated: Ibn 'Umar said that yields obtained from crops must first pay off debt, and zakat is paid out of the remaining sum. Ibn Abbas said that what is owed must first be charged as the commodity's cost, and the remainder must be counted as zakat. It is not regarded as zakat unless upon the rich. Zakat is to be taken from their rich and returned to their poor (Al-Bukhari 1993, Hadith no 1395). As Allah s.w.t dictates in surah at-Taubah verse 60, the beneficiaries who form one of the aims of zakat collection are helping the needy.

Besides, al-Qaradawi (1997) opines that load and cost are factors that impact Islamic laws. He argued Ibn Humam's (n.d.) view whereby the multitude of zakat

intended is based on the irrigation method alone, exclusive of the operational costs other than irrigation not explained by the *nas*. al-Qaradawi (1997) opinion is based on hadith and *athar* mentioned earlier, showing that farmers need to be considered mercifully, not burdened by heavy zakat and leaving behind some zakat for their life needs.

The reason behind the deduction of the self-sustenance cost is also agreed in this second opinion. The interpretation of 'needs' means one's basic needs based on the current needs like food, accommodation, clothes, education, and others. Therefore, the self-sustenance cost bears the fundamental needs of farmers and their families and people under their care (Ab Rahman et al., 2019).

Ibn 'Umar supports both these opinions by arguing about the need to prioritise on family's income by waiving the self-sustenance cost to assure the interest of the farmers and the people under their care and support by referring to the hadith narrated by Jabir that Rasulullah s.a.w had dictated:

Translation: "Prioritise yourself first, when you have more give it to your wife when there is still more give it to your nearest family, and when you still have more, give it to others (Muslim, Kitab al-Zakat, Bab al-Ibtida' Fi al-Nafaqah Bi al-Nafs Thumma Ahlahu Thumma al-Qarabah, no. Hadith 997)

Ibn 'Arabi (n.d.) states that the reason for the waiver of the costs before the imposition of the agricultural zakat rests on the tradition of the Prophet s.a.w. Who instructed the evaluators to be considerate, as mentioned in the hadith by Sahl bin Abi Hathamah, by releasing 1/3 or 1/4 of the total yield of crops for the use of farmers:

Translation: "When you evaluate the total of the zakat, collect them and leave behind 1/3 or 1/4". (Al-Tirmizi, Kitab al-Zakat 'An Rasulullah s.a.w, Bab Jaa Fi al-Khars, no. Hadith 643)

The hadith illustrated Rasulullah s.a.w waived the farmers' operational costs for their benefits due to several justifications; crops are rotten, and the masses demand yields. Based on the evidence and discussion abovementioned, the Islamic law's distinctive specification is based on the law's flexibility in question. History has proven that many fiqh issues vary in their rules, considering various primary factors of current and local values. It takes credit for its philosophy of adapting the law to achieve the objective of shari'ah, which is maintaining this noble intention and safeguarding it from any damage.

The initiatives aim to reduce costs for farmers and the Muslim economy in general, particularly in Malaysia. Thus, the study believes that Malaysia's operational and living costs should be removed before applying zakat. The significance of this work lies in rendering the objective of Shariah as a mechanism of law issuance, other than serving to consolidate the existing methods as to preserve benefits and decline the harms upon issuing a given law, on the platform of safeguarding act centralises on the essential (*al-daruriyyāt*), the complimentary (*al-hājiyyāt*) and the embellishments (*al-taḥsiniyyāt*) in the current economics, especially in light of zakat. This view is supported by Ahmad (2019) and Abd Rahman (2002) by having the idea that the Fatwa Institution has experienced the revival of the legislation. Among the elements would be a more open legislative nature and the principle of Islamic jurisdiction, which is *pro-ijtihād*, serving as a progressive solution by giving attention to the local interest's needs and the current well-being.

METHODOLOGY

A qualitative approach was employed in this study. The qualitative technique is used in the broadest sense to refer to a study that generates descriptive data, including information gleaned from people's utterances, whether written or spoken, and observed nature and behaviour (Taylor, Bogdan, & DeVault, 2016).

This study employed qualitative data collection to elicit the necessary information to address the study question. Barbour et al. (2018) defined qualitative data collection as the process of selecting and producing verbal (or visual) data to analyse phenomena, social fields, subjective and collective experiences, and the accompanying meaning-making process (personal or social meanings can be referred to). According to the study, qualitative data collection collects through experiences, events, and linguistic resources.

The documentary approach was used to acquire data for the research. Bailey (2008) defined documentary research as investigating documents containing the studied issue. According to Neely and Ponshumugam (2019), this strategy collects data via documents, past studies, and records. This method appraises data gathered from written documents and primary and secondary sources. The primary text was evaluated in light of the Quran and prophetic traditions (*Sunnah*). Additionally, both are primary sources because they are unaffected by the researcher's viewpoint or dependability. Secondary sources include books, journals, articles, statutes, and classical and contemporary Islamic jurisprudence texts.

Additionally, data collection was conducted through interviews with zakat experts and practitioners in Selangor, Sarawak, Pulau Pinang, Terengganu, and Perlis. According to Daniel and Turner (2006), interviews can yield detailed information on a research issue based on the participants' experiences and perspectives. Furthermore, it is a well-known strategy for qualitative experts to collect data since an interview is viewed as "talking," and talking is one of the natural ways to obtain information (Griffie, 2005). Therefore, conducting a semi-structured interview with the Mufti and the State Islamic Religious Council (SIRC) officer in the selected states can assess the legitimacy of applying the agricultural zakat from a legal and Islamic law perspective semi-structured interview.

In terms of data analysis, once information has been gathered from written and oral sources, it should be thoroughly analysed to determine critical data. As a result, the researcher used the content analysis method to analyse the data. Content analysis can be defined as a method for categorising, analysing, and evaluating recorded communications objectively and methodically (Lac, 2016; Stemler, 2001). This technique enables the researcher to classify and evaluate data acquired from primary and secondary sources. This strategy is crucial for data analysis and organisation.

Due to the qualitative nature of this study, the content analysis method was used inductively and deductively. The inductive technique entails devising a recursive strategy for data gathering and analysis in connection with the application of a rule, definition, or process to a subsequent conclusion (Hayes, Heit, & Swendsen, 2019). According to Creswell & Creswell (2018), the inductive analysis method entails alternating between themes and data-based analysis until a broad theme's set is established. In contrast, deductive analysis is the act of reviewing the data from established themes to discover if additional evidence exists to support each theme or if additional information or data must be gathered (Creswell & Creswell, 2018). Then, based on the explanation supplied, the inductive process of building the study's theme will begin. Next, they will apply an analytic technique to construct a new theme based on the established themes.

Additionally, hermeneutic analysis was used in this study. Patterson and Williams (2002) define hermeneutics as "a taxonomy of interpretive approaches to science" rather than "a single, completely unified scientific philosophy." According to Gerbaudo (2016), hermeneutics traditions are techniques for analysing various traditional texts, including novels, films, political speeches, and news stories. Additionally, the author argued that hermeneutics is a framework of deep meaning and subjective worldviews centred on a specific book of ancient scripture. According to the statement, hermeneutic analysis is the process of

interpreting and translating a classic manuscript. The importance of this strategy is to understand the core Islamic scripture and a few specific Arabic words by consulting many original Islamic jurisprudence works.

Additionally, the researcher employed another technique to facilitate data analysis. The researcher uses computer-assisted qualitative data analysis (CAQDAS) or qualitative data analysis software such as NVivo 12 to conduct the study (Miles, Huberman & Saldana, 2014). This software aims to code data and visualise it in a diagrammatic format. Given that most of the researcher's critical data is gathered during an interview session, it is appropriate to code and analyse it using NVivo 12. Thus, a diagrammatic representation of the analysed data will make it more appealing.

THE RATE OF AGRICULTURAL ZAKAT ASSESSMENT IN MALAYSIA: RULES AND PRACTICES

All Peninsular Malaysian states have agreed to base agriculture zakat rates on 10% and 5%. Therefore, the zakat crop is classified into two categories: the irrigation system and the quantity of energy consumed through natural irrigation or technology and labor. However, by imposing a single rate of 10 per cent or 5 per cent only, some states restrict the rate. For example, according to Ibn Qudamah's (1994) view, a third alternative rate of 7.5 per cent is applied in Sarawak, as shown in [Table 2](#).

Based on [Table 2](#), it is concluded that the three categories are applied to determine the zakat crop rate. Firstly, in Selangor and Penang, a single rate setting of either 5 per cent or 10 per cent was introduced. The permitted crop zakat rate in Selangor was initially optional in 1989, either 5 per cent or 10 per cent according to farmers' willingness. Because of the lack of a detailed guide, the Islamic Consultative Committee agreed that the zakat rate for paddy crops is only 10% based on the statement contained in the Book of Majmu 'Sharh al-Muhazzab, which states that up to 10% of zakat will still be subject to irrigation and ditches that are linked to large rivers and cost highly (Rahman et al., 2014). Mohd Farid (Pers. Comm., 12 September 2012) states that the Selangor Zakat Board set the 5 per cent rate for crop zakat using modern agricultural technology. On the ground, 100 per cent of state farmers who grow paddy fields use irrigation provided by the Department of Irrigation and Drainage (JPS), including planned and systematic drainage.

Islamic scholars also differ on this water purchasing issue as al-Rafi'e differs with al-Dusuqi by imposing a 5 per cent rate if water (irrigation tax) is included

because he thought that liabilities included water purchase. However, before reducing the rate of zakat, certain conditions must be observed, the cost must be high, referring to the current agricultural 'urf, and that cost affects agricultural productivity directly. Most Islamic scholars did not include the cost of drainage or reservoir creation as part of the cost of planting based on the opinion of Imam Nawawi backed by Imam Haramain (Al-Nawawi, 2002; al-Dusuqi, 1996).

The re-evaluation of the rate-setting law also happened in Penang. The 5 per cent rate is the rate previously applied by the Islamic Religious Council of Penang, but the State Fatwa Conference agreed in 2005 that the rate for paddy crop zakat by offering operating cost relief would be 10 per cent. The researcher claims that the Mufti of Penang, based on an interview with Sahibul Samahah Dato Seri Haji Hassan Bin Haji Ahmad (Pers. Comm., 20 September 2012), adhered to the opinion of al-Dusuqi (1996) in determining this judgement, as follows:

"The State Drainage and Irrigation Department (JPN) irrigation tax was also an issue. Irrigation tax is not that much and inappropriate to be included in irrigation costs to make the rate 5 per cent. The cost of one "Relong", for example, would be negligible. (Relong= a land area unit = 30,976 square feet, approximately 2,870 square metres (approximately 0.7111 acres)."

Reviewing the above argument, it appears that the Mufti of Penang prioritised the welfare of the beneficiaries instead of fully considering all zakat bodies, including the zakat payers. Nonetheless, based on the Penang Fatwa Committee's decision to assess the 10 per cent rate by considering the deduction of operating costs, it would be equal to the 5 per cent rate levied in Selangor.

The second category of fixing the crop zakat rate is based on the direct understanding of the hadith, which is 10 per cent for natural irrigation and 5 per cent for irrigation as practised in the state of Perlis and Terengganu involving human resources. The zakat rate set in 1980 in Perlis was only 5 per cent, or only a single rate (INFAD, 2018). Baitulmal of Perlis (2018) revised the method by implementing a 5 per cent rate if no cost deduction was permitted and 10 per cent to comply with Syria's requirement when it included cost reduction. By balancing crop zakat rate-fixing with deduction of actual costs, the new approach enforced by Perlis's Baitulmal stressed fairness for farmers and beneficiaries of zakat.

A single rate of 10 per cent was levied in Terengganu in 1990 since the water was collected from irrigation ditches and was free, and the water tax imposed during that period was not burdensome. Therefore, the rate of zakat has not been changed. However, attempts were made to use modern machinery in the irrigation sector in 1994, and the situation had changed; hence, a rate of 5 per

cent was applied, while a rate of 10 per cent was still levied for farmers who used conventional irrigation such as ditches, reservoirs, and water catchment.

The third group, namely 7.5 per cent after 5 and 10 per cent, falls into the third alternative rate. According to Zulhazmi Bin Bohari (Pers. Comm., 24 September 2012), the Sarawak Baitulmal Fund only levied an average rate of 7.5 per cent, based on Ibn Qudamah's (1994) opinion. In addition to various crops such as paddy rice, upland rice, and hilly crop regions, Sarawak's geographical factors vary, restricting modern technology in irrigation and agriculture.

According to Ibn Qudamah (1994), he did not include works for digging ditches or irrigation in his description of irrigation issues and did not reduce the zakat pace because the word "heavy work" is both too subjective and difficult to decide (Al-Nawawi, 2002). The researcher claims that if it includes two or more types of crops, mixed-watering, and if the irrigation type ratio is the same, the debate on fixing the rate to be 7.5 per cent only occurs. Al-Malkawi and Javaid (2018) agree that the win-win solution should be adopted to optimise zakat collections while taking society into account, supporting this view.

The study on these three categories above concluded that the rate of agricultural zakat in Malaysia varied according to the countries' climate. The diversity is due to the effect, in some areas, of factors such as drainage capability, environment, energy resources, technology, and geographical changes. Hamat (2014) and Ab. Rahman et al. (2010a) support this view, who assume that the rate of agricultural zakat is subject to the irrigation system used as defined in the Department of Awqaf, Zakat & Hajj (JAWHAR), Prime Minister's Department's Manual Pengurusan Pengiraan Zakat (2008). There is no doubt that the basis for fixing the crop zakat rate is the clear evidence (*dalil*) *nas* from explicit hadith narrated by Ibn 'Umar and a hadith narrated by Mu'az based on irrigation, whether 10% or 5%, but Shariah's target recognises the location's condition (Al-Bukhari 1993, Hadith no 1483; Al-'Asqalani, 1992; Rahman et al., 2014).

All Islamic scholars have detailed this rate-setting approach in each sectarian (*mazhab*) for example, al-Kasani (2002) allegorised burden as a justification for fixing (*'illah*) and the same with al-Imrani (2000) and Ibn Qudamah (1994) who provided examples of animal livestock that are compulsory for zakat, since zakat is mandatory for human efforts and their productivity will be reduced by burden. Nevertheless, al-Dusuqi (1996) emphasised that fixing a 10 per cent rate requires purchasing water or recruiting human irrigation resources because the pressure is comparatively light. The rate of agricultural zakat is no longer determined by farmers as historically practised in today's globalisation, which involves rules and regulations in all acts. The State Drainage and Irrigation Department currently

oversee agricultural irrigation affairs. Therefore, the State's Baitulmal must interact from time to time with the parties that directly administer this agricultural field, update the law, and develop a method based on irrigation suitable to the current situation.

CURRENT AGRICULTURAL EXPENSES AND THE SIGNIFICANCE OF THE AGRICULTURAL ZAKAT'S COST EXPENSES DEDUCTION IN MALAYSIA

In Malaysia, the paddy crop zakat assessment includes the acquired subsidy money, which is considered salary and income (*al-Mal al-Mustafad*), and 2.5 percent is mandatory zakat if the nisab is observed in the states of Selangor, Sarawak, Perlis, and Penang. As a result, various regulations govern the assessment of agricultural zakat. According to Al-Mamun, Haque, and Jan (2019), Selangor, Penang, Perlis, and Sarawak officially adopted cost relief before agricultural zakat to aid farmers allowing the deduction of crop running costs, as shown in [Table 2](#).

All the selected states agree to allow paddy expenses such as fertilisers, herbicides, land rentals, soil ploughing, rental of harvesting machines, and salaries for human resources to relieve overhead costs. Besides, transport costs are permitted to all the states mentioned above except Terengganu, Sarawak, and Selangor. As indicated in [Table 3](#), the researcher details the cost deduction in selected states.

Table 3: Deduction of Operational Cost and Cost of Living in Malaysia

	Selangor Zakat Board (LZS)	Terengganu Islamic Religious and Malay Customs Council (MAIDAM)	Sarawak Baitulmal Fund (TBS)	Penang Islamic Religious Council Zakat Governance Centre (MAINPP)	Perlis Baitulmal, Islamic Religious and Malay Customs Council (MAIPs)
Operational Cost	i. Plant expenses involved; such as plowing wages, fertilizer and so on. (New rule 2017)	i. Wage, ii. Ploughing the soil, iii. Price of fertilisers, iv. Fertilising wage v. Harvesting wage (was abolished in 2012)	i. Fertilisers/ herbicides ii. Rentals iii. The wage for human resources/ harvesting (machine) iv. Transportation	i. Cost of fertilisers/ Herbicides ii. Rental (if applicable) iii. The wage for human resources/ harvesting (machine) iv. Transportation (lorry) v. Contingency deduction ¼ (bird attacks, natural disasters, and others). (was abolished in 2012)	i. Land rental ii. Ploughing and planting (if hiring/ paying wage) iii. Price of fertilisers (if bought) iv. Herbicides (if bought) v. Harvesting wage vi. Transportation wage
Self-sufficiency cost		-	-	Cost of living (if no other source of income) (was abolished in 2012)	Self-sufficiency cost i. Personal cost ii. Wife iii. Children iv. Parents v. Medical vi. <i>Daruriyyat</i> debt (was abolished in 2012)

Source:

- 1st Meeting – 5th term-State Fatwa Council of Terengganu, 21 November 1999.
- Pamphlet – 2012 Paddy Crop Zakat, Zakat Management Centre of Penang.
- Syariah Committee Meeting, Islamic Religious Council of Penang No.1/2005, Item 3.0(e) (f) Muzakarah Recommendation, 2.
- Guideline on Zakat, Baitulmal Islamic Religious Council of Perlis, 20-21.
- The Fatwa Committee of Selangor State (no 6) 2017 has authorised the following method for calculating zakat padi.
- Lembaga Zakat Selangor (LZS). Kiraan Zakat Padi. <https://www.zakatselangor.com.my/keputusan-syariah-zakat/kiraan-zakat-padi/> (assessed 20 September 2021)
- Majlis Agama Islam Dan Adat Melayu Terengganu (MAIDAM). Zakat Tanaman. <http://www.maidam.gov.my/index.php/en/zakat-tanaman> (assessed 20 September 2021).
- Tabung Baitulmal Sarawak (TBS). Tanam-Tanaman. <https://www.tbs.org.my/www/?page=97>. (assessed 20 September 2021).
- Zakat Pulau Pinang (MAINPP). Zakat Pertanian. <https://www.zakatpenang.com/zpp/index.php/2013-06-30-10-54-31/jenis-zakat/zakat-pertanian>. (assessed 20 September 2021).
- Majlis Agama Islam dan Adat Istiadat Melayu Perlis (MAIPs). Zakat Tanaman. https://www.maips.gov.my/index.php?option=com_sppagebuilder&view=page&id=70&Itemid=840&lang=ms . (assessed 20 September 2021).

In Terengganu, the Terengganu State Fatwa Council decided on expense deduction on 21 November 1999. However, farmers in Terengganu are not currently implementing this law, as evidenced by the fact that it is not mentioned in the 2012 Terengganu Islamic Religious and Malay Customs Council

(MAIDAM) guide to agricultural zakat brochure or on the council's official website (MAIDAM, 2021). According to Tuan Zuhaimi Bin Tuan Sembok, the majority of farmers who paid zakat aspired to perform good deeds for the sake of Allah (Pers. Comm., 3 October 2012). As a result, they adhere to most Islamic scholars' view that the fulfilment of nisab determines one's wealth. While MAIDAM Terengganu has already said this, this community does not adhere to the opinion of Ibn 'Abbas and Ibn 'Umar about the permissibility of expense deductions for essentials and fundamental needs.

On the other hand, before 2017, crop zakat was solely charged on gross revenue in Selangor, as per the Islamic Consultative Committee's resolution (1989), citing the Book of al-'Ubab, which states: "Upon completion of harvest, farmers are not allowed to eat the harvest, pay a wage for harvest, or give alms before paying the crop zakat. Furthermore, *Takzir* (a type of corporal punishment administered at the judge's discretion) will be imposed if the farmer defaults. While the farmers bear all expenses on crop costs." Mohd Farid Bin Mohd Zainal supported this regulation (Pers. Comm., 12 September 2012). However, at the Selangor state fatwa committee's sixth meeting in 2017, it was determined to allow for operating expenditures before enforcing zakat, according to the farmers' economics and current circumstances.

From 2005 to 2012, another sort of relief was permitted in Penang, namely the $\frac{1}{4}$ -contingency discount for bird attacks, natural catastrophes, and other unforeseen events. However, according to Azhari Bin Ahmad (Pers. Comm., 18 September 2012), this specific relief is not mentioned, implying that it is no longer administered by the Zakat Management Centre of the Penang Islamic Religious Council. Recently, no state allowed the deduction of the cost of living expenses, as illustrated in [Table 3](#).

However, before 2012, the states of Perlis and Penang allowed for the deduction of self-sufficiency costs. There was a demand for a re-evaluation of the cost of living (*had kifayah*) cost deduction on farmers and those assisted by them until the duty to pay crop zakat is rendered so it could take better care of their interests.

In the 1980s, the Fatwa Council of Perlis resolved to deduct the cost of productivity and self-sufficiency. In Perlis, the deduction of productivity costs is permitted for all farmers. However, the cost of living in a self-sufficient manner is allowed only if the farmer has no other source of income other than farming. Perlis's Baitulmal balances rate fixing and cost deduction; if cost reduction occurs before zakat payment, the rate imposed is 10% (actual rate). If the farmer did not subtract any expenses in the second case, then the fixed rate is 5 per cent a

concession rate (*ruksah*) (Mohd Nazim bin Haji Md Noor, Pers. Comm., 12 September 2012)

Perlis's Baitulmal has set a particular formula for the cost of living deduction, covering the farmer's personal needs at RM14.12 daily, the wife's daily needs at RM8.47, and the daily needs of children at RM3.28. The maximum deduction allowable each year for the needs of farmers, wives, and children is RM5,000, RM3,000, and RM1,200, respectively. It is also permitted to subtract debts, cars, lodging, medical, and gifts from parents' necessities (Baitulmal Islamic Religious Council of Perlis, n.d). However, without adequate authorisation, information, and an alternative from the Baitulmal, this alleviation was no longer practised in the state of Perlis.

The researcher leans towards Perlis's previous practice in deducting high costs accordingly. In support of this view, Rahman et al. (2017), Rahmatina (2016), and Abu Bakar and Abdul Ghani (2011) indicate that a decision based on the current and local economy to safeguard the interests of farmers and the poor are made to achieve the goals of Shariah and the best practise of agricultural zakat.

At the Shariah Committee in Penang, Item 3.0 (e) of the Islamic Religious Council of Penang No.1/2005 recommended deducting the cost of living, as is done in Perlis. According to an interview with Azhari Bin Ahmad (Pers. Comm., 18 September 2012), this ruling is not enforced by the Zakat Management Centre of the Islamic Religious Council of Penang. However, the Shariah Committee removed the provision and subject from a paddy crop pamphlet published by Penang Baitulmal in 2012 in zakat.

Based on the above study, the researcher argues that the deduction of operating costs and living costs in Malaysia should be relieved before zakat is implemented for various reasons. First, farmers were obliged to pay agricultural zakat for each harvesting season, and each subsidy earned, they levied wages and profits (*al-Mal al-Mustafad*). Based on the hadith of Rasulullah s.a.w: "One would not donate (perform zakat) unless he is well-to-do" (Al-Bukhari, Kitab Zakat, Bab La Sadaqah Illa 'An Zahri Qhani, no. Hadith 1360), the purpose of zakat is only applicable to the wealthy ones.

The goal is to offset the zakat poverty line (*had al-kifayah*) by providing standard relief for farmers' basic needs and those they sponsor, such as food, clothing, shelter, and education. An analysis performed by Ab. Rahman and Othman (2005b) support these views on the cost of paddy cultivation in the states of Selangor, especially in Tanjung Karang, Sabak Bernam, found that some paddy zakat payees coming from the poor have the effect of not declining the

abovementioned costs. It found that 14.1% of farmers who pay for zakat only have a gross monthly income of around RM510 and 45.7% with a monthly net income below the poverty line. This problem would quickly generate a dispute between the beneficiaries and payees of the zakat distribution, which goes against the zakat goals, as described in a hadith by Ibn 'Umar: "Take from the well-to-do and return it to the poor" (Al-Bukhari, Kitab al-Zakat, Bab Wujub al-Zakat, no. Hadith 1395).

These exemptions correspond to the specifications of Islamic law (*Shariah*), which are based on the law's adaptability. It takes credit for its philosophy of modifying the law to accomplish Sharia's object (*maqasid shari'ah*), providing for the people's welfare, preserving this noble goal, and safeguarding it from any harm. All the provisions and ordinances of any specified divine laws to seek profit and repel harm. If the reduction in these costs is not likely to occur, it will further cause damage.

CONCLUSION

Zakat rates have varied, with some states enforcing a flat charge of 5% or 10%, while others allow for irrigation-based options, whether conventional 10% or 5% human resources or mechanical requirements. Sarawak, the only state, used a 7.5 per cent rate for both forms of irrigation. The validity of deducting individual charges also emerged before the zakat calculation. As practised in Selangor, Penang, Perlis, Sarawak, zakat is levied on the crop after harvest, eliminating operational expenditures. In comparison to the deduction of living expenses, which no state permits. These findings illustrate the dynamics of Malaysia's diverse agricultural zakat collection practices. As a result, it recommends the way forward critical aspects that contribute to the success of diversity initiatives:

1. The State Islamic Religious Council's (SIRC) commitment to a dynamic diversity and inclusion policy that the Federal government mandates in the ninth schedule to the federal constitution of Malaysia set out the state lists. This commitment and jurisdiction differ by state. However, this diversity reflects a nation's success and resilience.
2. Establishing diversity as a zakat collection is imperative and ensuring that executives are held accountable for the institution's effective implementation. In addition, the zakat's rules and restrictions regarding agricultural production should be re-evaluated. Before the imposition of zakat, self-sustenance and running costs should be waived considering the current agrarian economy's demands and the public interest.

3. The role of Zakat Corporations and SIRC needs to be peace, justice, and strong institutions as part of the Global Challenge for Government Transparency: The Sustainable Development Goals (SDG) 2030 Agenda. Among the Islamic corporate governance best practices are established regulatory framework and internal policies and the tasks and functions of the shari'ah board.

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