
Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

Analysis of Evaluation and Reporting of Zakat Mal Tax Incentives at the Directorate General of Taxes (DGT)**Mhd. Syukur Sihombing^{1*}, Asmuni¹, Isnaini Harahap¹**¹Universitas Islam Negeri Sumatera Utara

Jalan Sutomo Medan, Indonesia

***Email:** Syukur.sihombing@gmail.com**ABSTRACT**

This study aims to analyze the evaluation and reporting of zakat mal tax incentives at the Directorate General of Taxes (DGT). The problem in this study is how the implementation of monitoring, evaluation and reporting of mal zakat tax incentives is carried out by the Directorate General of Taxes and the problems arising from it. This type of research is a normative research with a juridical and analytical approach. The results of the study concluded that Zakat was not reported and evaluated by DGT, the perception of Zakat was not the main task and function of DGT and DGT did not have accurate data.

Keywords: Zakat mal tax incentives, DGT

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

INTRODUCTION

The low utilization rate of mal zakat tax incentives in Indonesia is one of the causes of the wide disparity in zakat potential with the realization of zakat collection in Indonesia. National Zakat statistics show that the number of realizations of zakat collection in 2019 and 2020 is as follows:

Table 1. Realization of Zakat Collection

Collection Agencies	2019	2020
Baznas	296.234	385.126
Baznas Provinsi	583.919	489.538
Baznas Kabupaten/Kota	3.539.980	1.735.824
LAZ	3.728.943	4.077.297
OPZ	2.078.865	5.741.459
Total	10.277.943	12.429.246

Source: Outlook National Zakat 2022

Table 1 shows that the realization of zakat, infak and alms collection reached Rp10.2 trillion based on zakat collection institutions in Indonesia. Meanwhile, if referring to the results of IPPZ research, it shows that there is a potential for zakat of 233.8 trillion in 2019 where zakat income is the sector with the largest potential of 139.07 trillion, zakat income of 58.76 trillion and zakat money and 19.76 trillion, agricultural zakat and 9.51 trillion from livestock zakat. The small realization rate of zakat causes a very small distribution of zakat which results in a high poverty rate in Indonesia. As Ali Hudaefi et al. (2020) know that zakah has been playing a substantial role in poverty alleviation in Muslim communities. Tika Widiastuti et al. (2020) affirm Zakat is an Islamic-economic instrument that acts as an alternative solution in reducing poverty. If you look at the poverty rate in Indonesia for the September 2022 period reaching 9.57% or 26.36 million people, it can be concluded that the high poverty rate indicates that zakat as a tool to alleviate poverty is not functioning as expected even though the government has tried to increase zakat receipts by issuing a zakat mal tax incentive policy in the form of zakat as a deduction from gross income in Law Number 36 of 2008 Income Tax. However, in its implementation, this policy has not provided maximum results. Furthermore, the mal's zakat tax incentive policy has never been monitored and evaluated by DGT as a policy maker. This raises a big question mark why mal zakat tax incentives are not evaluated and reported periodically in the DGT's tax expenditure. Is the mal zakat tax incentive policy not important or is there still obstacles to the implementation of the evaluation.

METHOD

The type of research used in this study is descriptive qualitative research. The selection of this qualitative method is based on the problem studied, namely the problem of evaluation and reporting of zakat mal tax incentives at the Directorate General of Taxes (DGT). This research is used to make previously indistinct realities brightly lit and not to confirm reality as in quantitative hypothesis testing. This research explores and analyzes the existing literature and confirms it with tax rules and analyzes it from the side of public policy. Primary data were obtained by conducting in-depth interviews with research informants. The

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

secondary source of data for this study is the Law on zakat and taxes, supporting textbooks that provide information on zakat and taxes.

RESULT AND DISCUSSION

Questioning the evaluation and reporting of mal zakat tax incentive policies in Indonesia is one of the authorities of the Directorate General of Taxes (DGT) as the tax authority. This authority is contained in the Regulation of the Minister of Finance Number of Minister of Finance Regulation Number 118 / PMK.01 / 2021 dated concerning Organization and Work Procedures of the Ministry of Finance, among others in the form of policy formulation in the field of taxation, implementation of policies in the field of taxation, preparation of norms, standards, procedures, and criteria in the field of taxation, provision of technical guidance and supervision in the field of taxation, implementation of monitoring, evaluation, and reporting in the field of taxation, implementation of the administration of the Directorate General of Taxes; and the performance of other functions. From monitoring, evaluation and reporting in the field of taxation, there are facts found in the field, among others, that the tax incentive policy in the form of zakat as a deduction from gross income in DGT has never been evaluated as well as policy programs. This is evidenced by the non-inclusion of zakat as tax expenditure in the DGT's annual report. As a result, DGT does not have how many zakat payers and how much zakat value is used as a deduction from gross income. The government does not yet have comprehensive data on the potential for zakat and taxes accurately. And until now studies and research on tax expenditure have not been paid attention by the government or the public. The same thing was also expressed by Muhammad Dirham Aziz, Account Representative of KPP Palopo, South Sulawesi who said that the DGT had never evaluated the existence of mal zakat tax incentives as tax expenditure. This condition is certainly different from other countries that have reported their tax expenditure in their budget systems. Therefore, zakat as a tax incentive policy must be reviewed continuously and continuously, monitored and changed or it can be stopped. Furthermore, policies must be repeatedly reformulated to be implemented and evaluated to correct deficiencies. This means that tax incentive policies and facilities can be adjusted along with the times. Some of the reasons for not evaluating the mal zakat tax incentive policy in DGT include the perception that zakat as a tax incentive causes two reductions or multiple reductions, causing a decrease in tax revenue. This perception arises from the tax function as a budgetary function, namely as a budgeting function in the State Budget so that if zakat is developed as a tax incentive, zakat will reduce tax revenue. In fact, when compared to the concept of tax incentives for the corona disease-19 pandemic, the results will be the same, on the one hand, it will reduce tax revenue on the other hand, it will save economic growth. Likewise, zakat whose effect will increase economic growth as well. This is contrary to the statement of the Director of Tax Regulation II which states that incentives and structures must be dynamic, taking into account national and regional economic developments and the influence of the global economy. One of the principles that must always be adopted in the formulation and application of tax formulations and incentives is the equal treatment of all taxpayers or tax cases that are substantially equivalent and which must refer to applicable laws and regulations. Based on these things, the DGT should need to evaluate and reformulate zakat tax incentives as a deduction from gross income. Second, DGT does not have zakat data which is used as a deduction for gross income. This indicates

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

that the mal's zakat tax incentives are not taken care of or managed by the DGT. As a result, DGT does not have an accurate data base of zakat receipts as a tax incentive. In fact, this data is certainly very useful for evaluating policy developments issued by the DGT. In addition, this zakat data will be able to develop a tax data base. According (Wahyuni, 2020) that there is a difference in property on which zakat is based. This has not been one of the DGT's focuses to review its tax incentive policy. The DGT should take a solution by revising the placement of zakat positions in the KUP Law and improving and revising the format of the Annual Tax Return as a means of reporting zakat that has been paid by Muzakki and improving the procedure for reporting zakat as a tax incentive by using information and communication technology as a modernization tool for recording zakat data bases as tax certificates. Third, the perception that zakat is not the main task and function of the Directorate General of Taxes because zakat is not a source of State revenue and the State does not take care of zakat as taxes whose authority is handed over to the Directorate General of Taxes (Echelon I). This is evidenced by the absence of Standard Operating Procedures (SOPs) related to the processing of zakat as a tax incentive. In a broad sense, the implementation of policies must be clearly established by policymakers (governments) that will have a certain impact (Jann & Wegrich, 2007) Policy implementation should include core elements including specification of program details, i.e. how and where the institution or organization should run the program, and how the law or program is interpreted. In this case, DGT has not described more specific activities on how the zakat tax incentive program is managed and administered. However, this recording does not appear in special records or in the APBN structure. So that zakat in tax expenditure cannot be calculated accurately. Therefore, it is necessary to integrate data between DGT and Baznas.

CONCLUSION

Based on the results of the analysis, the author makes the following conclusions: First, there is a perception that zakat as a tax incentive causes twice the reduction or double reduction, causing a decrease in tax revenue. The two DGT do not have zakat data which is used as a deduction for gross income. Third, the perception that zakat is not the main task and function of the Directorate General of Taxes because zakat is not a source of State revenue and the State does not take care of zakat as taxes whose authority is handed over to the Directorate General of Taxes (Echelon I)

REFERENCES

- Aziz Ur Rehman et al. (2020), Factors influencing the intention to give zakat on employment income: evidence from the Kingdom of Saudi Arabia, *Islamic Economic Studies* Vol. 29 No. 1, 2021 pp. 33-49
- Fahmi Ali Hudaefi, Rezy Eko Caraka. (2020). Zakat administration in times of COVID-19 pandemic in Indonesia: a knowledge discovery via text mining. *International Journal of Islamic and Middle Eastern Finance and Management*.
- Peraturan Menteri Keuangan Nomor 118/PMK.01/2021 tanggal tentang Organisasi dan Tata Kerja Kementerian Keuangan
- Saeed Awadh Bin-Nashwan et al., A socio-economic model of Zakah compliance, *International Journal of Sociology and Social Policy*, February 2020

Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

- Saeed Awadh Bin-Nashwan & Hijattulah Abdul-Jabbar and Saliza Abdul Aziz, (2021). Does trust in zakat institution enhance entrepreneurs' zakat compliance?, *Journal of Islamic Accounting and Business Research*
- Setiawan, D. A. (n.d.), "Ternyata zakat belum banyak dimanfaatkan sebagai pengurang pajak." DDTC, News. <https://news.ddtc.co.id/ternyata-zakat-belum-banyak-dimanfaatkan-sebagai-pengurang-pajak-27970>, diakses pada tanggal 23 Agustus 2022, pukul 14.00WIB.
- Tika Widiastuti et al. Optimizing zakat governance in East Java using analytical network process (ANP): the role of zakat technology (ZakaTech), *International Journal of Islamic and Middle Eastern Finance and Management*.
- United Nation, Design and Assessment of Tax Incentives in Developing Countries, United Nation, New York, 2018, 5.bdelghany, K. E. (2005). Measuring the quality of earnings. *Managerial Auditing Journal*, 20(9); 1001-1015.
- Mohammad, W. M., Wasiuzzaman, S., & Salleh, N. M. (2016). Board and audit committee effectiveness, ethnic diversification and earnings management: a study of the Malaysian manufacturing sector. *Corporate Governance* 16(4), 726 - 746