

# Balancing Faith and Fiscal Policy: Examining the Factors Influencing Zakat Rebate Perceptions in Malaysia

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## ABSTRACT

This study investigates Malaysian Muslims' perceptions of zakat rebates within the framework of the national taxation system, focusing on the determinants of these perceptions. The study utilised a quantitative approach in examining the relationship between Islamic Ethical Adherence, Legal Consciousness, Religiosity, Trust in Zakat Institutions, and Trust in Tax Authorities and Government with the Perception of Tax Rebates on Zakat Payment. Findings highlight that Religiosity, Legal Consciousness, and Trust in Tax Authorities and Government significantly affect perceptions of zakat rebates, underscoring the intricate relationship between religious commitment and fiscal policy in a multi-religious context. However, hypotheses related to Islamic Ethical Adherence and Trust in Zakat Institutions were not supported, suggesting these factors require further exploration. The study reveals a critical need for policies that balance religious obligations with the fiscal needs of the broader Malaysian society, highlighting the importance of enhanced transparency and trust in fiscal institutions. It also opens avenues for future research on the socio-economic implications of zakat and its integration into Malaysia's tax system, aiming to foster a more inclusive fiscal environment. This contribution is pivotal for policymakers, highlighting the need to align zakat practices with national fiscal strategies to ensure equitable socio-economic development, especially in Muslim-majority countries.

**Keywords:** Income Tax Rebates, Legal Consciousness, Religiosity, Trust in Tax Authorities and Government, Zakat

## INTRODUCTION

In Malaysia, the integration of Islamic practices into fiscal policies presents a fascinating area for academic exploration, particularly through the lens of zakat's role in the national taxation framework. As a fundamental pillar of Islam, zakat requires Muslims to allocate a portion of their wealth to support the less fortunate, serving as both a religious duty and a mechanism for socio-economic equity. As the Malaysian government acknowledges zakat payments as tax-deductible, this underscores the relationship between spiritual commitments and fiscal responsibilities. This policy triggers important discourse on the interplay among religious beliefs, legal awareness, and institutional trust in shaping Muslim taxpayers' financial behaviours, marking a fertile ground for scholarly investigation (Kahf, 1999).

Within this context, the socio-economic role of zakat in Malaysia, especially its contribution to poverty alleviation and wealth redistribution, further reinforces its relevance. Zakat's inclusion in the tax system, allowing deductions from income tax for zakat contributions, marks a critical juncture of religious practice and fiscal policy (Samad et al., 2016). However, this raises pivotal questions about its broader implications on national tax revenues, given zakat's exclusive benefit to the Muslim community in a multi-religious society. This scenario underscores the need to carefully examine how zakat contributions might impact the broader fiscal landscape, balancing religious obligations with the collective fiscal requirements of the nation.

The inspiration for this research emerges from observing the diverse perceptions among Malaysian Muslims toward the zakat rebate mechanism. Despite apparent fiscal incentives, the wide spectrum of engagement and attitudes reveals complex factors influencing taxpayer perception and behaviour. This complexity highlights the inherent challenges in harmonising religious adherence with a society's legal and fiscal frameworks deeply rooted in Islamic principles (Nasim & Romdhon, 2014).

The research sets forth several objectives aiming to unravel this multifaceted dynamic. Firstly, to examine the levels of Islamic Ethical Adherence, Legal Consciousness, Religiosity, Trust in Zakat Institutions, and Trust in Tax Authorities and Government, alongside Perceptions of Tax Rebates through Zakat Payment (RO1). By gauging the levels of these variables, this objective seeks to map out the landscape of factors that taxpayers navigate in their fiscal and religious lives. Subsequently, it aims to examine the relationship between religious beliefs, specifically Islamic Ethical Adherence and Religiosity, with the Perceptions of Tax Rebates through Zakat Payment (RO2). This objective is meant to assess whether or not faith and the ethical principles derived from Islam shape views on the fiscal benefits of zakat. The study also aims to assess the impact of legal consciousness on zakat tax rebate perceptions (RO3). Understanding the legal framework and its awareness among taxpayers is crucial in comprehending how law and religion intertwine in financial decisions. Lastly, the study examines the role of trust in zakat institutions and governmental tax authorities in moulding these viewpoints (RO4). Understanding one's confidence or trust in Zakat institutions, tax authorities, and government is essential, as it could influence perception, particularly Zakat tax rebates (Zainal et al., 2016).

This study leverages behaviour prediction principles to navigate how individual beliefs, societal pressures, and perceived behavioural control collectively guide decisions within specific contexts. This quantitative exploration scrutinises how Islamic Ethical Adherence and Religiosity inform taxpayer attitudes towards zakat as a socio-economic practice, how Legal Consciousness mirrors societal norms around fiscal behaviour, and how Trust in zakat and governmental bodies impacts confidence in the system's effectiveness and integrity (Ajzen 1991).

This research aims to dissect complex dynamics and give policymakers, religious authorities, and economists actionable insights. By quantitatively elucidating the determinants of taxpayer perceptions towards zakat rebates, it proposes strategies to boost compliance, refine fiscal policies, and harmoniously integrate religious duties with economic strategies. Contributing to the broader discourse on the synergy between fiscal policies and religious practices in Malaysia, this study echoes global discussions on blending religious obligations with state governance to bolster socio-economic welfare.

This quantitative study analyses the determinants shaping perceptions of zakat tax rebates by capturing the nuanced perspectives of Muslim taxpayers fulfilling their zakat obligation. At the crossroads of religious studies, economics, and legal frameworks, it aims to bridge existing knowledge gaps, advocating for policy formulations that respect religious convictions while fostering economic growth.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The literature on zakat tax rebates underscores a multifaceted framework where religious, legal, and personal factors intertwine to shape individual perceptions and behaviours. In Malaysia, the discourse is heavily influenced by the dichotomy of halal (permissible) and haram (forbidden) within Islamic Shariah, pointing to a profound legal and religious consciousness amongst the Muslim populace. Al-Mamun et al. (2015, 2020) and Amin (2021) highlight that such a dichotomy extends beyond mere legal adherence, suggesting that religiosity moulds the taxpayer's approach to zakat. This insight opens a critical discussion on how personal degrees of Islamic ethical adherence and religious commitment intersect with legal frameworks to guide the taxpayer's attitude towards zakat tax rebates.

### Islamic Ethical Adherence and Fiscal Behaviour

Islamic ethical adherence, rooted in the principle of Shariah, serves as a foundational moral compass that guides fiscal behaviour among Muslims, particularly in the context of zakat compliance. According to Othman and Fisol (2017), a strong sense of moral obligation is positively associated with zakat compliance. This is

further substantiated by the systematic literature review by Shukor (2021), which identifies moral and ethical obligation as a key psychological determinant of zakat compliance, confirming that ethical awareness and internalised religious duties drive intrinsic motivation (Khamis et al., 2011). The dichotomy of halal and haram forms the basis of this adherence, influencing decisions related to income, spending and charitable giving. Al-Mamun et al. (2015, 2020) establish that individuals with strong ethical adherence to Islamic teachings are more inclined to view zakat rebates positively, as these are perceived to align with both spiritual obligations and legal incentives.

This relationship is further reinforced by studies suggesting that ethical adherence enhances intrinsic motivation towards zakat compliance, particularly when such compliance is seen as fulfilling both a religious duty and a civic responsibility (Amin, 2021). However, not all studies agree on the extent of this influence. For example, while some argue that ethical frameworks rooted in Islam naturally promote zakat behaviour (Al-Mamun, 2015; Amin, 2021), others suggest that without institutional trust or legal clarity, ethical adherence alone may not translate into actual compliance or preference (Ikhwandha & Hidayati, 2019; Bin-Nashwan et al., 2021b; Alimusa et al., 2025).

To summarise, Islamic ethical adherence is a necessary but not always sufficient condition for zakat compliance. Its impact appears to be moderated by contextual variables such as institutional trust, legal frameworks, and socio-cultural norms, factors that systematic and empirical review (Shukor, 2021; Alimusa et al., 2025) suggest play a significant role and merit deeper investigation.

### **Influence of Religiosity on Zakat Compliance**

Religion is an essential aspect of an individual because it determines one's beliefs and modifies one's character. The eternal beliefs anchored in religious beliefs are instrumental in shaping a person's behaviour, which, by extension, influences one's way of living. According to Awang and Mokhtar (2011), Islamic religiosity is the level of commitment to Islamic doctrines and faith. Bakar and Barizah (2007) note that human decisions are influenced by religion to a large extent. Since different individuals have varying degrees of commitment to religion, their religiosity varies (Al-Mamun et al., 2020).

Shukor (2021), in a systematic literature review, affirms that religiosity is the most frequently cited psychological determinant influencing zakat compliance, highlighting its role in shaping both attitudes and behaviours. Similarly, Alimusa et al. (2025) emphasise that religiosity, especially when accompanied by Islamic spirituality, drives intrinsic motivation and fosters greater commitment to zakat obligations. Extensive research demonstrates a strong positive relationship between religiosity and zakat compliance, which numerous studies affirm that higher religious commitment consistently predicts stronger compliance (Bin-Nashwan et al., 2021a, 2021b, 2021c; Bin-Nashwan et al., 2020a, 2020b; Farouk et al., 2018; Khamis et al., 2011). However, Farah (2017) finds no such effect, suggesting that the impact of religiosity may depend on personal interpretations and socio-economic context.

### **Legal consciousness and compliance**

Legal consciousness, defined as the awareness and valuation of legal norms, bridges legal knowledge and compliance. Palil (2010) and Belahouaoui and Attak (2023) argue that understanding legal frameworks by having adequate knowledge enhances compliance behaviours, while Al-Mamun et al. (2020) highlight internal motivation alongside legal awareness. Alimusa et al. (2025) reinforce this view by identifying legal awareness and enforcement as a pivotal external motivator for zakat compliance, advocating for greater transparency and legal institutional support. In line with this, Shukor (2021) contends that although religiosity is a strong internal driver, a robust legal framework functions as a necessary external support for maintaining long-term compliance.

Huda et al. (2012) found that education and awareness-building initiatives significantly improve zakat compliance behaviour, reinforcing the importance of both legal and ethical literacy. Azman and Bidin (2015) stress the importance of legal education, while Salman and Mujahidin (2022) point to the dynamic nature of legal consciousness shaped by evolving governance. Additionally, Bin Lahuri (2022) also highlights the

multidimensional and evolving nature of legal consciousness. Emphasising how individuals perceive, experience and respond to the law within changing governance contexts.

### **Trust in Zakat Institutions and Government**

Trust is a foundational element in shaping compliance behaviour, whether in the context of religious obligations like zakat or civic duties such as taxation (Kasri & Sosianti 2023; Rashid et al. 2021a, 2021b). In the case of zakat, trust in institutions is based on the belief that these bodies operate following Shariah and national laws. Bin-Nashwan et al. (2021a) emphasise that trust is perceptual but can be strengthened through accurate, transparent, and timely information from governing authorities. When zakat institutions demonstrate prudent fund management and equitable distribution, public confidence increases. Conversely, a lack of transparency weakens trust, discouraging compliance (Alimusa et al., 2025). Bin Lahuri et al. (2023) argue that limited transparency in zakat management reduces public trust and deters compliance.

Key institutional factors, such as transparency, accountability, governance quality, and professional fund management, have been consistently shown to influence trust in zakat institutions (Mukhibad et al., 2019; Nurfadhilah & Sasongko, 2019; Retnowati & Usnan, 2022; Salman & Mujahidin, 2022). Shukor (2021) categorises these elements as “organisational determinants” critical to compliance behaviour. Stakeholder perceptions and communication strategies also shape trust, as noted by Samargandi et al. (2018), who underscore the importance of disclosure practices and stakeholder engagement.

Trust in zakat institutions is not formed in isolation. It is shaped by broader socio-political factors, including perceptions of government performance, legal clarity, and systemic efficiency (Wahab & Abdul Rahman, 2011; Hastutik & Nurzaman, 2019; Utami et al., 2021). In many contexts, zakat administration is closely linked to governmental bodies; thus, trust in government and tax authorities directly impacts perceptions of zakat institutions.

Trust in government and tax authorities refers to the confidence that citizens have in these institutions to act ethically, effectively, and in the public interest (Grimmelikhuijsen et al., 2013). This trust is closely associated with voluntary compliance (Rashid et al., 2021a, 2021b) and is influenced by the perceived fairness of tax laws (Belahouaoui & Attak, 2023), transparency in fund allocation and accountability of administrators (Efunniyi et al., 2024). When citizens believe in the integrity and efficiency of government, they are more willing to comply with tax obligations and participate in civic duties.

Furthermore, both strands of literature, on zakat institutions and public authorities, highlight similar mechanisms through which trust is built, which include visible accountability, effective communication, legal certainty, and professional management. Integrating these perspectives offers a more holistic understanding of trust as a critical compliance determinant in both religious and public financial obligations.

### **HYPOTHESES DEVELOPMENT**

The present study is grounded in the Theory of Planned Behaviour (TPB), as proposed by Icek Ajzen (1991), to explore the multifaceted influences on the perceptions of tax rebates through zakat payments among Muslim individuals. The TPB postulates that an individual’s intention to perform a behaviour is influenced by three core components, namely attitudes towards the behaviour, subjective norms, and perceived behavioural control. This framework provides a comprehensive lens on the relationship between Islamic ethical adherence, legal consciousness, religiosity, and trust in zakat institutions and government authorities, with the perception of tax rebates through zakat payments, where the following hypotheses are developed:

1. Hypothesis 1 (H1): Islamic ethical adherence is positively related to the perception of tax rebates through zakat payment.
2. Hypothesis 2 (H2): Legal consciousness is positively related to the perception of tax rebates through zakat payment.
3. Hypothesis 3 (H3): Religiosity is positively related to the perception of tax rebates through zakat payment.



4. Hypothesis 4 (H4): Trust in zakat institutions is positively related to the perception of tax rebates through zakat payment.
5. Hypothesis 5 (H5): Trust in government and tax authorities is positively related to the perception of tax rebates through zakat payment.

The attitude towards engaging in zakat payments and receiving tax rebates reflects an individual's positive or negative evaluations of this religious and fiscal activity. Hypothesis 1 (H1) posits that Islamic ethical adherence positively impacts the perception of tax rebates through zakat payment, suggesting that a strong ethical commitment to Islamic principles fosters favourable attitudes towards zakat-related tax benefits. Similarly, Hypothesis 4 (H4) suggests that trust in zakat institutions shapes positive attitudes by enhancing confidence in the zakat system's integrity and efficacy.

Subjective norms refer to the perceived social pressure to engage or not engage in behaviour influenced by the expectations of significant others, including family, friends, and religious communities. Hypothesis 3 (H3) aligns with this component, proposing that religiosity, indicative of the internalisation of religious norms and values, positively correlates with the perception of tax rebates through zakat payment. Additionally, Hypothesis 5 (H5) integrates into this component by suggesting that trust in government and tax authorities reflects alignment with broader societal and legal norms, influencing individuals' perceptions and intentions.

This component encompasses an individual's perceived ease or difficulty in performing the behaviour, influenced by past experiences and anticipated obstacles. Hypothesis 2 (H2) aligns with perceived behavioural control by suggesting that legal consciousness, specifically the awareness and understanding of zakat and tax laws, enhances individuals' confidence in their ability to comply with zakat obligations and benefit from tax rebates.

By synthesising these components, the TPB framework facilitates a comprehensive investigation into how Islamic ethical adherence, legal consciousness, religiosity, and trust in zakat institutions and government tax authorities interact to shape Muslim individuals' perceptions of and intentions towards tax rebates through zakat payments. This approach underscores how TPB components shape both zakat compliance behaviours and perceptions of tax rebates, offering a robust framework to explore their underlying determinants.

## METHODOLOGY

This research adopts a quantitative research design to investigate the factors influencing individuals' preferences for tax rebates for zakat payment. A quantitative approach enables the systematic collection and analysis of numerical data, thereby enabling statistical conclusions. The study's conceptual model outlines the interactions and is presented in Figure 1.

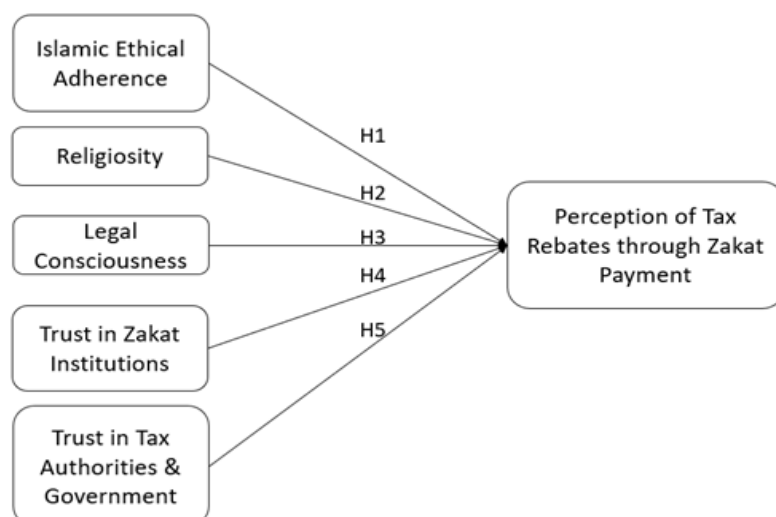


Figure 1 Research Model

Data was collected through a structured questionnaire adapted from a validated instrument from previous studies to ensure content relevance and construct coverage (refer to Table 1). A pre-test was conducted to assess the reliability and validity of the instrument. The questionnaire was distributed electronically to enhance accessibility and increase response rates. The instrument consist seven sections where Section A collects demographic data from participants; Section B explores adherence to Halal-Haram principles in the context of zakat; Section C examines aspects of religiosity; Section D focuses on Legal consciousness, Section E gauges trust in zakat institutions; Section F assesses the impact of trust in government and tax authorities; and Section G gathers data regarding the preference for zakat contributions over income tax payments. Responses were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), to capture participants' views.

The target population comprised Muslim individuals eligible to pay zakat in Selangor, selected due to the state's significant role in zakat contributions. Selangor's relevance is underscored by the fact that Selangor's zakat collection is among the highest, with RM1.12 billion collected in 2023 and RM1.22 billion collected in 2024 (Lembaga Zakat Selangor, 2024). A total of 104 valid responses were collected between December 2023 and February 2024. For data analysis, both descriptive and inferential analyses were employed. Specifically, multiple regression analysis using SPSS was applied to examine the relationship between independent and dependent variables.

Table 1 Variables and measurement of the study

Variable	Items for measurement	Adapted from
<b>Perception of Tax Rebates through Zakat Payment</b>	<ol style="list-style-type: none"> <li>1. I view receiving tax rebates for Zakat payments as a rightful benefit.</li> <li>2. I see tax rebates for zakat as government support for religious practices.</li> <li>3. Offering Zakat tax rebates helps enhance the Zakat fund.</li> <li>4. The process and benefits of receiving a tax rebate for Zakat payments are clear to me.</li> <li>5. I view tax rebates on zakat as fair protection against double taxation.</li> <li>6. I am comfortable with receiving tax rebates for Zakat payments.</li> <li>7. I think tax rebates for zakat encourage Muslims to fulfil their fiscal duties.</li> <li>8. I acknowledge the government's provision for zakat to be claimed as a tax rebate.</li> </ol>	(Al-Mamun et al., 2020)
<b>Islamic Ethical Adherence</b>	<ol style="list-style-type: none"> <li>1. I strictly follow Islamic and Shariah ethics in all aspects of life, beyond just halal and haram.</li> <li>2. When unsure about an action's Islamic ethics, I seek advice from scholars or knowledgeable friends to align with Islamic principles.</li> <li>3. As a practising Muslim, I adhere to Islamic guidelines in ethics, behaviour, and finance.</li> <li>4. I fulfil my Islamic ethical duties, including zakat, as a commitment to Islamic principles.</li> <li>5. I see financial practices like Zakat rebates aligned with Islamic ethics and advocate for them.</li> </ol>	(Al-Mamun et al., 2020)
<b>Religiosity</b>	<ol style="list-style-type: none"> <li>1. Religious teachings influence my decisions on financial matters, including charitable giving and investments.</li> <li>2. Attending religious lectures enhances my understanding of ethical financial practices and guides my financial decisions.</li> <li>3. My faith shapes my approach to financial ethics and responsibilities.</li> <li>4. I assess government financial policies, including tax regulations, through the lens of my religious values.</li> <li>5. Adhering to religiously guided financial practices, such as ethical investing and spending, is essential for my spiritual fulfilment.</li> </ol>	(Al-Mamun et al., 2020)

	6. I motivate others to adopt ethical financial practices that align with our shared religious beliefs.	
<b>Legal Consciousness</b>	1. I understand my obligation to abide by government rules and regulations. 2. I diligently comply with government tax regulations when paying taxes. 3. A strong sense of legal responsibility guides my tax payments. 4. I pay taxes as a direct response to government directives.	(Al-Mamun et al., 2020)
<b>Trust in Zakat Institutions</b>	1. I trust Zakat institutions prioritise the cause's best interest. 2. Zakat institutions conducted their operations ethically. 3. I am confident that Zakat institutions use donated funds appropriately. 4. I trust Zakat institutions to treat contributors fairly and not exploit them. 5. I feel assured that Zakat institutions employ fundraising techniques that are respectful and appropriate.	(Sargeant et al., 2006)
<b>Trust in Tax Authorities and Government</b>	1. Tax authorities and the government are my partners in achieving shared objectives. 2. I feel confident in my dealings with tax authorities and government agencies related to taxation. 3. Tax authorities and the government apply tax laws accurately and competently. 4. My interactions with tax authorities and the government are grounded in mutual respect and honesty.	(Trifan et al., 2023)

## FINDINGS AND DISCUSSION

### Respondent's Background

Table 2 offers a detailed overview of the demographic characteristics of our survey participants, categorising them by gender, age, marital status, educational level, monthly income, and employment status. This demographic breakdown showcases a participant base that is predominantly female (70.2%), with the vast majority (99%) being 26 years of age or older, most of whom are married (79.8%), possess high educational qualifications (98% holding at least a degree) and enjoy financial stability (95.2% earning RM 2,000 or more monthly).

Table 2 Demographic Profile of Respondents

Profile	Categories	Frequency	Percentage (%)
<b>Gender</b>	Male	31	29.8
	Female	73	70.2
<b>Age</b>	20 – 25 years old	1	1.0
	26 – 30 years old	62	59.6
	Above 30 years old	41	39.4
<b>Marital status</b>	Married	83	79.8
	Single	21	20.2
<b>Education level</b>	Diploma	1	1.0
	Degree	41	39.4
	Master	60	57.7
	PhD	2	1.9
<b>Monthly income</b>	Under RM 2,000	5	4.8
	Between RM 2,000 and RM 5,000	31	29.8
	Between RM 5,000 – RM8,000	68	65.4

In summary, the profile of our respondents sheds light on the perspectives and behaviours of a demographic segment characterised by middle-class, educated, younger adults, predominantly female, who are actively engaged in their professional lives. This demographic context is vital for interpreting the study's findings within the broader Malaysian socio-economic landscape, offering specific insights into the preferences and behaviours of this group.

### Normality, Reliability and Multicollinearity Analysis

Assessing the normality of data distribution is a crucial preliminary step in most multivariate analyses, as it informs the appropriate statistical techniques for further examination of the data. In the context of this study, the normality test results outlined in Table 3 indicate that all variables are within the recommended range of skewness (-2 to +2) and kurtosis (-7 to +7) values (Tabachnick & Fidell, 2013; Byrne, 2016), affirming the dataset's normal distribution. This normality underscores the appropriateness of proceeding with multivariate analyses that assume a normal distribution of the underlying data, enhancing the reliability and validity of any inferential statistical tests applied to these variables.

Table 3 Skewness and Kurtosis Values for Each Variable

Variables	Skewness		Kurtosis	
	Value	Std. error	Value	Std. error
Perception of tax rebates through zakat payment	-0.177	0.237	-0.225	0.469
Islamic Ethical Adherence	-1.235	0.237	4.049	0.469
Religiosity	-1.504	0.237	3.797	0.469
Legal Consciousness	-1.144	0.237	3.604	0.469
Trust in Zakat Institution	-0.508	0.237	-0.270	0.469
Trust in Tax Authorities and Government	-0.236	0.237	-0.364	0.469

When discussing the reliability results of a study, it is essential to interpret the Cronbach's Alpha values obtained for each variable as a measure of internal consistency or the degree to which a set of items is interrelated. A higher Cronbach's Alpha value indicates a higher level of internal consistency. Typically, a Cronbach's Alpha of 0.7 or above is acceptable, although a threshold of 0.6 can also be deemed satisfactory (Awang 2018). Based on Table 4, all variables in the study demonstrate sufficient internal consistency. These results affirm the reliability of our instrument in assessing the multifaceted relationships between the dependent variable, the perception of tax rebates through zakat payment, and the study's independent variables.

Table 4 Cronbach's Alpha for Each Variable

Variables	No. of item	Cronbach's Alpha
Perception of tax rebates through zakat payment	8	0.854
Islamic Ethical Adherence	5	0.653
Religiosity	6	0.644
Legal Consciousness	4	0.656
Trust in Zakat Institution	5	0.944
Trust in Tax Authorities and Government	4	0.750

Table 5 presents a correlation matrix for the study's variables, indicating that multicollinearity is not a significant concern since they do not reach the critical threshold of 0.9, beyond which multicollinearity is considered severe according to Tabachnich & Fidell (2013). Therefore, the study's variables maintain sufficient independence to permit a meaningful examination of their impacts on the dependent variables, free from significant multicollinearity distortion.



Table 5 Pearson Correlation Matrix

Variables	PZ	HH	R	LC	ZI	TA
Perception of tax rebates through zakat payment	1					
Islamic Ethical Adherence	0.245*	1				
Religiosity	0.490**	0.454**	1			
Legal Consciousness	0.350**	0.294**	0.301**	1		
Trust in Zakat Institution	0.254**	0.450**	0.485**	0.182	1	
Trust in Tax Authorities and Government	0.489**	0.167	0.360**	0.086	0.403**	1
* significant at the 0.05 level (2-tailed)						
** significant at the 0.01 level (2-tailed)						

### Descriptive Analysis

The descriptive analysis focusing on the mean scores provides insightful observations into the respondents' attitudes and perceptions across various dimensions of religious and financial behaviours. This analysis is meant to achieve research objective one (RO1). Based on Table 6, the analysis concentrates on the mean scores derived from respondents' ratings, which ranged from 1 to 5, where one indicates the lowest agreement or least positive perception and five the highest agreement or most positive perception.

Table 6 Descriptive Statistics of Each Variable (N=104)

Variables	Minimum	Maximum	Mean	Std. Deviation
Perception of tax rebates through zakat payment	1.00	5.00	3.94	0.551
Islamic Ethical Adherence	1.00	5.00	4.44	0.415
Religiosity	1.00	5.00	3.82	0.426
Legal Consciousness	1.00	5.00	4.20	0.499
Trust in Zakat Institution	1.00	5.00	4.25	0.717
Trust in Tax Authorities and Government	1.00	5.00	3.92	0.655

In summary, the descriptive analysis reveals a broadly positive perception among respondents towards the various dimensions examined. The findings highlight a strong inclination towards Islamic ethical adherence and a considerable trust in religious institutions over governmental bodies. These insights underscore the importance of integrating religious principles with fiscal policies to enhance compliance and satisfaction among the populace.

### Multiple Regression Analysis

In this quantitative analysis, the study examines the determinants of perceptions regarding tax rebates through zakat payments, employing a multiple regression model to test five hypotheses to achieve research objectives 2 through 4 (RO2–RO4). The model's overall effectiveness in predicting perceptions of tax rebates via zakat is initially evidenced by an R-value of 0.635 and an R-squared value of 0.403. These statistics indicate a strong positive correlation between the predictors and the dependent variable, with the model explaining approximately 40.3% of the variance in perceptions of tax rebates through zakat payments. Such a significant level of explanatory power sets a robust foundation for the detailed examination of each hypothesis.

Table 7 Multiple Regression Analysis

Variables	Coefficient	t	Sig.	Result
Constant	0.260	0.463	0.644	
Islamic Ethical Adherence (H1)	0.015	0.120	0.905	Not supported

Religiosity (H2)	0.417	3.311	0.001*	Supported
Legal Consciousness (H3)	0.256	2.786	0.006*	Supported
Trust in Zakat Institution (H4)	-0.086	-1.144	0.255	Not supported
Trust in Tax Authorities and Government (H5)	0.333	4.529	<0.001*	Supported
R = 0.635      R <sup>2</sup> = 0.403 * significant at the 0.01 level (2-tailed)				

Hypothesis 1 (H1) and Hypothesis 2 (H2) were developed to achieve RO2. H1 posited that Islamic Ethical Adherence positively influences perceptions of tax rebates through zakat payments. However, the analysis, yielding a coefficient of 0.015 and a t-value of 0.120 ( $p = 0.905$ ), indicates that H1 is not supported. This outcome suggests that Islamic Ethical Adherence does not significantly alter perceptions of tax rebates through zakat payments within the scope of this study. The lack of a statistically significant relationship prompts a reevaluation of the presumed impact of Islamic ethical principles on tax-related perceptions. Similarly, H2 suggested that religiosity is positively associated with perceptions of tax rebates through zakat payments. In contrast to H1, this hypothesis found robust support, as evidenced by a coefficient of 0.417 ( $t = 3.311$ ,  $p = 0.001$ ), underscoring the impactful role of religiosity in positively shaping perceptions of tax rebates associated with zakat. The significant effect of religiosity highlights the profound influence of religious conviction on fiscal policy perceptions, particularly those intertwined with religious practices.

Hypothesis 3 (H3), developed to achieve RO3, proposed that Legal Consciousness positively affects the perception of tax rebates through zakat payments. They are supported by a coefficient of 0.256 and a t-value of 2.786 ( $p = 0.006$ ). H3 is supported, emphasising the importance of legal awareness and adherence as critical factors influencing tax rebate perceptions. This validation of H3 enriches the discussion on the interplay between legal frameworks and ethical considerations in shaping public attitudes towards fiscal compliance and religious obligations.

Hypothesis 4 (H4) and Hypothesis 5 (H5) were developed to achieve RO4. H4 posited a positive relationship between trust in Zakat institutions and perceptions of tax rebates through Zakat payments, but it did not receive empirical support (coefficient = -0.086,  $t = -1.144$ ,  $p = 0.255$ ). The nonsignificance of the findings for H4 challenges the assumed critical role of institutional trust within the zakat framework, suggesting that perceptions of zakat-related tax rebates may not be heavily influenced by trust in zakat institutions. On the other hand, H5 hypothesised that Trust in Tax Authorities and Government positively influences perceptions of tax rebates through zakat payments. Strong empirical support was found, with a coefficient of 0.333 ( $t = 4.529$ ,  $p < 0.001$ ), reinforcing the notion that higher levels of trust in these entities significantly enhance positive perceptions of zakat-related tax rebates. The validation of H5 underscores the pivotal role of trust in governmental and tax authorities in shaping public perceptions of tax policies that intersect with religious duties.

This analysis underscores the nuanced dynamics of factors influencing perceptions of tax rebates through zakat payments. While hypotheses related to Religiosity, Legal Consciousness, and Trust in Tax Authorities and Government were supported as factors contributing to the perception of Zakat tax rebate, the propositions concerning Islamic Ethical Adherence and Trust in Zakat Institutions did not find support. These findings contribute valuable insights to the academic discourse on the interrelation between fiscal policies and religious practices, highlighting the complex interplay of religion, legal consciousness, and institutional trust in public fiscal perceptions and behaviours. Further exploration of these dynamics is encouraged to deepen understanding and inform future policy development.

## DISCUSSION

Our study examines the complex interplay between religious beliefs, legal consciousness, and institutional trust in shaping Muslim taxpayers' perceptions towards zakat tax rebates in Malaysia. The findings offer

intriguing insights into how these dimensions influence taxpayer behaviour in a multi-religious society like Malaysia, where fiscal policies are intertwined with Islamic practices.

The significant relationship between religiosity and positive perceptions of zakat tax rebates underscores the profound influence of religious commitment on financial decisions within the Islamic community. This aligns with existing literature suggesting that deeper religious convictions can enhance compliance with zakat, viewing it not just as a fiscal obligation but as a spiritual duty (Fikr et al., 2021; Khamis et al., 2011; Bakar & Rashid, 2010). The critical role of religiosity highlights the need for zakat institutions and policymakers to consider religious motivations in designing and implementing zakat-related tax policies.

Our analysis revealed that legal consciousness significantly shapes perceptions towards zakat tax rebates, suggesting that a thorough understanding of zakat and tax laws enhances confidence in fulfilling zakat obligations (Marpaung, 2020). This finding emphasises the importance of legal education and awareness campaigns to bolster zakat compliance. This supports the idea that well-informed citizens are more likely to engage positively with fiscal policies (Al-Mamun et al., 2020). A similar trend is observed in Indonesia, where clear legal provisions allowing zakat payments to be offset against income tax have enhanced public understanding and engagement with both obligations (Marpaung, 2020).

Surprisingly, Islamic ethical adherence and trust in zakat institutions had no significant impact on perceptions of tax rebates. This contradicts initial expectations and invites further reflection. Participants may perceive zakat as a personal religious obligation, independent of fiscal incentives or institutional performance. In such cases, perceptions of tax rebates are more closely shaped by religiosity and legal awareness, rather than abstract ethical principles or institutional trust. It is also possible that participants, while religious, may hold latent scepticism toward zakat institutions, especially if past experiences or media narratives have questioned the transparency or governance of zakat funds (Zainal et al., 2016). This view aligns with findings from Shukor (2021), who emphasises that the perceived lack of transparency and accountability in zakat institutions could erode public confidence, despite individuals' religious obligations. Notably, Kirchler et al. (2008) argued trust in central government institutions tends to outweigh trust in smaller or decentralised bodies, such as zakat institutions, when it comes to shaping compliance behaviour. This observation is consistent with the Malaysian context, where centralised tax institutions enjoy higher trust levels compared to localised zakat bodies (Samad et al., 2016).

The nuanced understanding of taxpayer behaviour, particularly the critical examination of the zakat-taxation nexus, reveals potential challenges in balancing religious obligations with national fiscal needs. The preference for zakat contributions over income tax payments, influenced by religiosity and legal consciousness, presents a unique challenge in ensuring equitable tax collection in a multi-religious context. This calls for innovative policy formulations that respect religious convictions while ensuring the nation's fiscal well-being (Shariff et al., 2011).

Moreover, the modest sample size and geographic concentration in Selangor may limit the generalisability of the findings. Future studies should aim to expand coverage to include other states and contexts to confirm whether similar patterns persist across broader demographics. Our study opens several other avenues for future research. A comparative analysis of zakat compliance across different Muslim-majority countries could offer valuable insights into the diversity of zakat practices and their integration with national tax systems. Further, qualitative studies exploring individual motivations and perceptions regarding zakat and tax obligations could enrich the quantitative findings, providing a more holistic understanding of the socio-economic impact of zakat in Malaysia.

## CONCLUSION

This study embarked on an exploratory journey to unravel the intricate dynamics of how Islamic ethical adherence, legal consciousness, religiosity, and trust in zakat institutions and government authorities influence Malaysian Muslims' perceptions of tax rebates through zakat payments. A quantitative analysis illuminated

the complex interplay between deeply held religious convictions, legal awareness, and institutional trust within Malaysia's unique fiscal landscape, where zakat is both a spiritual obligation and a socio-economic tool.

The findings underscore the pivotal role of religiosity and legal consciousness in shaping positive perceptions towards zakat tax rebates, highlighting the integral part these factors play in navigating the zakat-taxation nexus. Conversely, Islamic ethical adherence and trust in zakat institutions did not significantly influence the perception of tax rebates, suggesting a nuanced relationship that other unexplored factors may mediate. Trust in government and tax authorities emerged as a significant positive factor, reflecting a broader trust in the fiscal governance system's capacity to accommodate religious practices within its tax rebate mechanisms.

This study contributes to the existing body of knowledge by providing empirical evidence on the determinants of zakat rebate perceptions among Malaysian Muslims, offering insights that can inform policy development, zakat institution practices, and tax authority strategies. By integrating religious obligations with national fiscal policies, Malaysia presents a unique model of socio-economic governance that balances spiritual commitments with the inclusive fiscal needs of a multi-religious society.

While this study has laid the groundwork for understanding the zakat-tax rebate nexus, several pathways for future research emerge from its findings and limitations. Future studies could employ qualitative methods, such as interviews or focus groups, to delve deeper into the motivations and attitudes underlying the quantitative findings. This could uncover the qualitative nuances of why Islamic ethical adherence and trust in zakat institutions may not have emerged as significant factors in influencing perceptions of zakat rebates. In addition, longitudinal research could track changes in perceptions over time, particularly in response to policy shifts or socio-economic developments. This would offer insights into the dynamic nature of zakat compliance behaviour and tax rebate perceptions among Malaysian Muslims.

The limitation of this study, particularly the concentration on respondents from Selangor and the relatively modest sample size, must be acknowledged. Broader sampling across multiple regions may reveal more varied perceptions and enhance external validity. Future directions could investigate the direct effects of zakat contributions on poverty alleviation and wealth redistribution within Malaysia. This would align zakat practices more closely with their intended socio-economic objectives. Lastly, further research could explore how demographic factors (e.g., age, income levels, urban vs. rural) influence perceptions of zakat rebates, potentially uncovering targeted strategies for enhancing zakat compliance and education.

In conclusion, this study enriches the academic discourse on zakat and taxation within Islamic finance. It signals the broader implications for fiscal policy, religious adherence, and socio-economic development in Malaysia and beyond. Charting a course for future research invites continued exploration into optimising the zakat system's role in societal welfare and economic justice.

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