



Zakat on Business Entities and its Tax Treatment

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ABSTRACT

The focus of this paper is on zakat on business entities and its tax treatment, whether the zakat clause as a deduction from taxable income regulated in Law Number 23 of 2011 concerning zakat management and Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Tax affects taxable income and income tax that must be paid by the company. The research approach is a case study where the sampling business entities are companies engaged in property services whose income tax calculation is final and companies in the trading sector whose tax calculation uses the tariff of article 17 of the Income Tax Law. The results of the study provide legal certainty for business entities that pay zakat and become input for government policy in the management of zakat and taxation. If zakat payment is recognized as a deduction, it can encourage more active zakat payment and increase the contribution of zakat to state revenue. However, if zakat payment is not recognized, business entities may face higher tax burden which has implications on their financial planning. This research contributes to the understanding of zakat and taxation in Indonesia and has implications for the legal framework and tax regulations.

Keywords: Business Entity Zakat, Taxable Income, Final Income Tax, Tax Payable.

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INTRODUCTION

Zakat is a religious obligation for Muslims who have assets that reach nisab (a certain amount) to pay some of their assets to the poor or people in need, as a form of devotion to Allah SWT. (Widiastuti, 2018). Zakat has important benefits, including cleansing wealth from miserliness, increasing social solidarity, reducing poverty levels, fostering a sense of concern for others, and getting closer to Allah SWT. Zakat also provides spiritual benefits for zakat givers to help others and improve their quality of life. (Choiriyah, 2020). In other words, paying zakat can contribute to improving social and economic welfare in the community because it has a positive impact on the economy, encouraging investment which then helps economic sectors in need. Increase public trust in the Islamic financial system because zakat is considered as one of the Islamic financial products that can provide social benefits for the community. The importance of zakat for the development of the country and society can be well realized if zakat funds can be collected effectively. (Abdelmawla, 2014; Saad, 2020).

However, the performance of zakat in Indonesia has experienced compliance issues. Lack of awareness and understanding of the importance of zakat, lack of transparency and accountability in zakat collection and distribution, ignorance of how to calculate nisab and the amount of zakat to be paid, as well as limited access to zakat collection institutions and lack of representation of zakat collection institutions in certain areas. To overcome these obstacles, efforts are needed to increase public awareness, provide education, improve transparency and accountability, and expand the reach and representation of zakat collection institutions. (Hudaefi, 2022; Choiriyah, 2020; Cokrohadisumarto, 2020; Rini, 2020).

The steps that need to be taken in calculating company zakat (Baznas, 2018), include: First, determine the haul date: this is the date chosen to calculate zakat. Catches must have a start and end, which are 12 months apart. This date can be determined according to the Hijri or Gregorian calendar. Second, determining and measuring zakat assets: namely analyzing which assets are eligible for zakat and which are not. Third, determine and measure the obligations that must be paid by the company at the end of the haul, which of course must be deducted from zakat assets in accordance with the laws, principles and basics that have been explained. Fourth, Measuring the measure (wi'a) of zakat; less all liabilities due. Fifth, determine and measure the size of the nishab. Ijma 'classical and contemporary fuqaha is equal to 85 grams of pure gold, valued at the market price of gold at the time of haul. Sixth, determine the percentage of zakat, namely the amount taken from the amount of zakat. The consensus of classical and contemporary jurists is 2.5% based on the Hijri calendar or 2.575% based on the Gregorian calendar. Seventh, calculating the amount of zakat that must be issued by multiplying the amount of zakat by the percentage of zakat. Eighth, Determine some zakat to be borne by the shareholders. Where the amount of zakat is divided according to the number of shares. Shareholders will be informed by management, while the zakat process is carried out by each shareholder.

Zakat has been considered as a deduction from the entrepreneur's income. However, in 2019, the Indonesian government issued Government Regulation no. 14 of 2019 concerning the Administration of Zakat which stipulates that entrepreneurs must fulfill their zakat obligations and report their payments transparently. Based on this regulation, entrepreneurs who do not pay zakat can be subject to administrative sanctions

in the form of warnings, suspension of business licenses, revocation of business licenses, and/or revocation of entrepreneur rights. Although these sanctions are more administrative in nature and not legal sanctions that can result in direct imprisonment or fines for entrepreneurs. In addition, entrepreneurs can also be subject to social and reputational sanctions that can affect the image of their business in society. Entrepreneurs who do not pay zakat can be considered socially irresponsible and do not care about the welfare of society. This can hurt his business in the long run. Zakat has been considered as a deduction from the entrepreneur's income. On the other hand, there are no legal sanctions imposed for entrepreneurs who do not pay zakat. However, in 2019, the Indonesian government has issued Government Regulation No. 14/2019 on Zakat Administration which stipulates that entrepreneurs must fulfill their zakat obligations and report their payments transparently. Under the regulation, entrepreneurs who do not pay zakat may be subject to administrative sanctions in the form of warning, suspension of business license, revocation of business license, and/or revocation of entrepreneur rights. Although these sanctions are more administrative in nature and not legal sanctions that can result in entrepreneurs being imprisoned or fined directly. In addition, entrepreneurs may also be subject to social and reputational sanctions

that may affect their business image in the community. An entrepreneur who does not pay zakat can be seen as socially irresponsible and not concerned about public welfare. This can be detrimental to his business in the long run.

Previous research on the relationship between tax and zakat has been done a lot, the research discusses tax and zakat in general, not specifically discussing corporate income tax and corporate zakat, mostly leads to discussing individual zakat. Research conducted by Fikri (2021) zakat as tax reduction: study of Muslim community perception in Indonesian and Malaysian this study took 77 Malaysian and 75 Indonesian respondents using the SEM method examining the perceptions of Indonesian and Malaysian citizens on zakat as a tax deduction obtained the conclusion that the majority of respondents wanted the zakat paid to be a direct deduction for tax payable / tax credit, not just as a deduction for income alone. Yuli Afriyandi in his writing entitled Tax and Zakat Discourse; Contextualization and Application in Muslim Countries (Afriyandi, 2014), concluded that tax and zakat are two different terms in terms of the source or basis of collection but the same in terms of its nature as an effort to take or collect wealth from the community for social interests so that harmonization is needed at the level of zakat and tax legislation. Meanwhile, the application of zakat and tax in several countries is as follows:

Table 1.
Application of zakat and tax in various countries

No	Country	Zakat and Tax Application
1	Arab Saudi	Zakat and tax management is handled by one institution, the Department of Zakat and Tax (Maslahat az zakat wa ad dakhil).
2	Malaysia	Zakat Institution is managed by the Government, tax paid as a deduction of tax payable
3	Kuwait	There is no income tax, only sales tax (similar to VAT in Indonesia).
4	Uni Emirat Arab	No income tax, only taxes on imports, tobacco tax, government revenue comes from government investment profits

Source:(Amiruddin, 2015), (Muhammad, 2019)

As a country rich in natural resources, Saudi Arabia has a lot of revenue from the oil and gas sector. Therefore, the government decided to impose taxes on certain sectors to diversify the country's revenue sources. "Maslahat az Zakat wa al-Dakhil" was established in 1389 AH/1969 AD by the government of Saudi Arabia. This institution is responsible for collecting zakat from the Muslim community, both from Saudi Arabia citizens and from Muslims working in the country, and managing the zakat funds to be distributed to those who are entitled to receive it (Ikhsan and Iskandar, 2021). In addition, it is also responsible for regulating and managing taxes in the country, including income tax, value-added tax, and other taxes.

Next, Malaysia established the "Majlis Agama Islam dan Adat Melayu Perak" (MAIPk) in 1961. After that, in 1991, the Malaysian government passed the Zakat Act to clarify and strengthen the obligation of zakat for Muslims in Malaysia as well as to regulate the management of zakat by public and private established zakat institutions. Since then, the Zakat Institution in Malaysia has grown and developed rapidly, both in terms of collection and distribution of zakat to those entitled to receive it (Hasbulah et al., 2022). In this case, the effectiveness of zakat institutions in Malaysia is inseparable from the support and participation of the Muslim community in paying their zakat.

In Kuwait there is no income tax for citizens. However, the government applies a sales tax or VAT of 5% to goods and services consumed in the country, which is similar to VAT in Indonesia. This is done to reduce the government's dependence on oil and natural gas revenues. Kuwaitis are still expected to pay zakat which is part of Islamic teachings and is one of the sources of state revenue. The Kuwaiti government has established several institutions responsible for the collection and distribution of zakat since 1982 under

the name of The Kuwait Zakat House. This institution serves as an institution for the collection, management, and distribution of zakat in Kuwait (Al-Ghanim and Saleh, 2022).

The United Arab Emirates (UAE) has no income tax for its residents. However, there is a tax on the import of goods and services into the UAE. In addition, the UAE also has a special tax on tobacco and tobacco-related products. The UAE government's revenue comes mostly from the profits of government investments in various sectors of the economy, including oil and gas, real estate, and tourism. In 1969 the UAE established a Department of Islamic Affairs managing zakat under the name "General Authority for Islamic Affairs and Endowments" (GAIAE). It is responsible for collecting and distributing zakat and alms, managing waqf, and organising religious training and courses. GAIAE plays an important role in promoting religious and humanitarian values, advancing social welfare, and improving the quality of life of Muslims and communities in the UAE (Arab, Zakariyah and Abdullatif, 2022).

Research on tax and zakat has been conducted in many countries with a large Muslim population. The problem of collecting zakat as a means of devotion to God and providing benefits for recipients, especially in Muslim countries, has long been discussed by academics. (Mohdali et al., 2017; Widiastuti, 2018; Hariyanto, 2020; Kasri, 2021). Likewise, income tax as a deduction from income has been widely discussed by previous researchers such as those studied by Towery (2017); Goulder (2019); Kramer (2019); and Biehl (2018) The main point of discussion is the view that concludes that there have been two levies on Muslims, namely the payment of income tax and the payment of zakat (Triantini, 2013) Al-Mamun, 2020; Wibisono, 2019 and Indrasari, 2019).

Although there have been many

researches on zakat, it has not given satisfactory results. This can be seen from the low acquisition of zakat and the level of trust in zakat collection institutions is a problem. (Mokhtara, 2018). In fact, some reports and studies show that zakat collection, especially zakat on business income, is very disappointing. (Bani-Khalid, Alshira'h and Alshirah, 2022). So that research is needed on the role of zakat in reducing the income tax burden.

In Law number 23 of 2011 article 1 number 5 states that the muzaki is a

Muslim as an individual and business entity, most of the discussions related to zakat and income tax that appear today are related to individual / personal zakat and personal income tax (Afriyandi, 2014b). Based on the financial report of the National Amil Zakat Agency (BAZNAS) in June 2021, it is known that the percentage of zakat revenue from business entities, Baznas calls it "entity zakat", is only 2.16% of the total zakat received. Tabel 2. Penerimaan zakat Baznas bulan Juni 2021.

Table 2.
Baznas zakat receipts in June 2021

Type of zakat	Value (IDR)	Percentage
Zakat Entitas	537.703.499	2.16%
Zakat Individual	24.233.545.458	97.84%
Total Quantity	24.771.249.047	100%

Source: www.baznas.go.id/keuangan/juni-2021

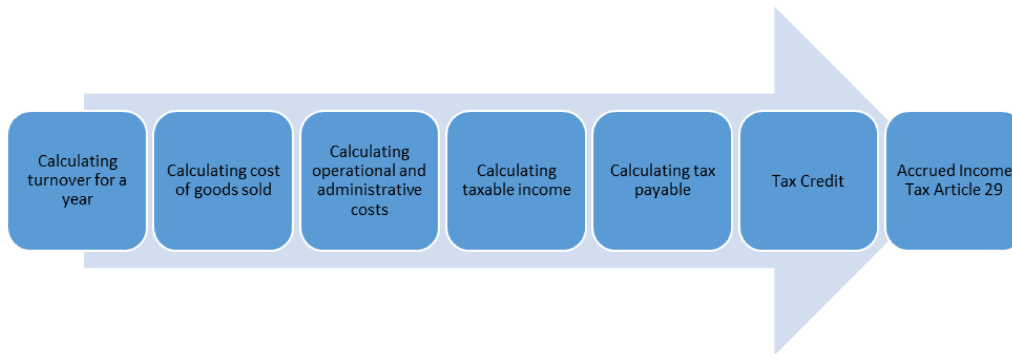
The small revenue of corporate zakat compared to individual zakat may be the reason for researchers to focus research on the role of zakat in reducing the tax burden that must be paid by the company. The research focuses on construction and trading service companies. These companies have different tax treatment characteristics, namely taxes that are determined in advance and taxes that are determined based on the difference between the acquisition of the cost price and the selling price.

This study is intended to minimize the research gap, namely to complement previous research on zakat and taxes that are more focused on individual zakat and individual income tax so that this study chooses entity / business entity zakat and corporate income tax as the object of research, with the research question: does the payment of business entity zakat affect taxable income in construction services companies and trading companies.

In accordance with article 1 number 2 of the Law of the Republic of Indonesia

Number 6 of 1983 concerning General Provisions of Taxation as amended several times lastly by Law Number 7 of 2021 concerning Harmonization of Tax Regulations, it is stated that "Taxpayer is an individual or entity, including taxpayers, tax deductors, and tax collectors, who have taxation rights and obligations in accordance with the provisions of tax laws and regulations".

Whereas in article 3 it is stated that "Entity is a group of people and/ or capital which constitutes a unit both conducting business and not conducting business which includes limited liability companies, limited liability companies, other companies, state-owned enterprises or regional-owned enterprises by whatever name and in whatever form, firms, partnerships, cooperatives, pension funds, partnerships, associations, foundations, mass organizations, socio-political organizations, or other organizations, institutions and other forms of entities including collective investment contracts and Permanent Establishments".



Source: Chapter 17, Law on income tax number 7 of 2021

Figure 1.
Harmonization of Tax Regulations

In general, the calculation of Corporate Income Tax follows the rules of Income Tax Article 17 of the Income Tax Law as last amended by Law Number 7 of 2021 concerning Harmonization of Tax Regulations, which is as follows:

First, we calculate all income received or earned in one tax year. After that, deduct expenses which include all costs that are directly or indirectly related to business activities, including: costs of purchasing materials; costs related to work or services (salaries, allowances, etc.), interest expenses, rental fees, royalties, travel expenses, waste treatment costs, insurance premiums, promotion and sales costs, administrative costs. Don't forget to deduct depreciation and amortization expenses. Pay attention to costs that cannot be deducted as stipulated in the tax legislation and its derivative rules. Exclude these costs in the calculation of Taxable Income.

After finding the Taxable Income (PKP) then multiply the PKP by the article 17 rate. The corporate income tax rate for the 2019 tax year and below is 25% of taxable income (20%, if the taxpayer is a company that goes public). For the 2020 tax year the corporate income tax rate drops to 22% and drops again to 20% for the 2022 tax year. After obtaining the figures for Taxable Income and Tax payable

the next step is to reduce the Income Tax with tax credits. Tax Credits for corporate taxpayers include tax collection on income from certain businesses commonly referred to as Income Tax Article 22 and tax withholding on income from capital, services and certain activities commonly referred to as Income Tax Article 23. Payment by the taxpayer himself which is commonly referred to as Income Tax Article 25. The result of the deduction is self-accrued income tax.

In addition to the calculation of corporate income tax in general using article 17, there are also corporate business activities that fall into the category of being subject to final income tax such as developer companies, for corporate taxpayers engaged in the developer sector, the tax calculation is regulated in article 4 of Law number 36 of 2008 concerning Income Tax as last amended by Law Number 7 of 2021 concerning Harmonization of Tax Regulations, with derivative rules, namely Government Regulation number 34 of 2016 concerning Income Tax on Income from Transfer of Rights to Land and / or Building, and Agreement on Sale and Purchase of Land and / or Building with the following rates:

Table 3.
Final Income Tax rate on the transfer of land and/or building

No	Type of Delivery	Rates
1.	Transfer of rights on land and/or building other than transfer of rights on land and/or building in the form of Simple House or Simple Flat conducted by Taxpayers whose main business is transfer of rights on land and/or building.	2,5%
2.	Transfer of rights on land and/or building in the form of Simple House and Simple Flat conducted by Taxpayers whose main business is transferring rights on land and/or building.	1%
3.	Transfer of rights to land and/or buildings to the government, state-owned enterprises that receive special assignments from the Government, or regional-owned enterprises that receive special assignments from the regional head, as referred to in the laws governing land acquisition for development in the public interest.	0%

Source: Government Regulation Number 34 of 2016 concerning Income Tax on Transfer of Land and/or Building Rights

METHODOLOGY

This research will analyze the taxable income and corporate income tax payable for trading companies and property companies. Will the corporate zakat that has been paid affect the value of taxable income and income tax payable? Is the application of article 22 of Law Number 23 of 2011 concerning Zakat Management in accordance with expectations, namely zakat paid by muzaki as well as taxpayers affect the value of tax payable when the zakat is deducted from gross income.

Case 1: Trading company PT ABZ Syariah pays corporate zakat. Here is the flow; turnover > cost of goods sold > administrative and operational costs > corporate zakat > taxable income > income tax payable. Case 2: Trading Company PT ABZ does not pay business entity zakat. Here is the flow; turnover > cost of goods sold > administrative and operational costs > taxable income > income tax payable.

Case 3: Property company PT ABC Land Syariah pays corporate zakat. Here is the flow; turnover > cost of goods sold > administrative and operational expenses > corporate zakat > taxable income > income tax payable. Case 4: Property Company PT ABC Land does not pay corporate zakat. Here is the flow; turnover > cost of goods sold > administrative and operational costs

> taxable income > income tax payable.

This research uses a case study method. Case study is a qualitative research approach used to understand an issue or problem using a case (Creswell and Creswell, 2017). The case study referred to here can be an event, process, activity, program, or one or several people. Furthermore, to understand the issue or problem in depth, a researcher needs to investigate and explore one or several cases over a period of time and collect data from various sources (observations, documents, reports, or interviews). The procedure for conducting a case study as adapted from Stake (Creswell and Poth, 2016) is as follows.

Starting from ensuring that an issue, case or problem is suitable for research using a case study approach. It should be noted that the case study approach is appropriate when the case under study is a clearly identifiable case and when the researcher wants to gain an in-depth understanding of one or more cases with certain limitations. Next choose the case that will be used. The case chosen must show various perspectives on the problem or event to be described. Then analyze the data that has been collected. Data analysis can be done holistically or specifically.

The next step is to do the

interpretation. This means that the researcher reports the results of the interpretation of a case. Verify the validity and reliability of the case study by triangulating the data. Data triangulation is a technique to ensure the validity and reliability of research results by comparing data obtained from several different sources or methods. And the last stage is drawing conclusions from the results of analysis and interpretation. Conclusions must be based on the data obtained and must be in accordance with the research objectives that have been set previously.

RESULTS AND DISCUSSION

Case 1: Trading Company PT. In the profit and loss statement, ABZ Syariah noted that the turnover for 2021 was IDR 5,000,000,000. After deducting the cost of sales of IDR 4,000,000,000, the gross profit of PT ABZ Syariah is IDR 1,000,000,000. Furthermore, PT ABZ Syariah has also paid business entity zakat of IDR 50,000,000 during 2021 to the Amil Zakat Institution which has been approved by the Minister of Finance. Zakat is deducted from the gross profit of the business so that the taxable income is IDR 360,000,000. For taxable income multiplied by article 17 so that the income tax payable is IDR 41,184,000. Income tax payable is a tax obligation that must be paid by PT ABZ Syariah to the state. The amount of income tax payable is calculated based on taxable income that has been reduced by certain deductions in accordance with the applicable tax regulations. In this case the deduction made is the business entity zakat deduction that has been paid by PT ABZ Syariah.

In calculating income tax, article 17 is one of the articles in the Income Tax Law which regulates the rate of income tax that must be paid by taxpayers. The rate of income tax that must be paid by the taxpayer depends on the amount of taxable income earned by the taxpayer. The greater the taxable income, the higher the income tax rate that must be paid. Case 2: Trading Company PT. ABZ does not pay business entity zakat. PT ABZ is a trading company that generates revenue from the sale of goods or services during 2021. PT ABZ's income statement shows that turnover during that year reached Rp. 5,000,000,000. However, after deducting the cost of sales of Rp. 4,000,000,000 PT. ABZ's gross profit of Rp. 1,000,000,000. During 2021, PT. ABZ does not pay business entity zakat resulting in a taxable income of Rp. 410,000,000. The said Taxable Income will be subject to Income Tax (PPH) in accordance with the applicable laws and regulations. Based on Article 17 of Law Number 36 of 2008 concerning Income Tax, taxable income originating from business or independent work is subject to a PPh rate of 22%. Therefore, the income tax payable on taxable income is Rp. 410,000,000 is Rp. 46,904,000.

In this case, the company needs to calculate the tax costs to be paid to find out the net profit earned. Gross Profit - Expenses (including taxes) = Net Profit for 2021 is: Rp. 1,000,000,000 - (Rp. 46,904,000) = Rp. 953,096,000. Thus, PT ABZ managed to earn a net profit of IDR 953,096,000 in 2021 after taking into account costs including taxes payable. Based on the examples of cases 1 and 2 can be summarized in the table below:

Table 4.
Examples of Cases 1 and 2

Zakat Payment	Turnover	HPP	Gross profit	Cost	Pkp	PPh payable
Not	5.000.000.000	4.000.000.000	1.000.000.000	590.000.000	410.000.000	46.904.000
Yes	5.000.000.000	4.000.000.000	1.000.000.000	640.000.000	360.000.000	41.184.000
Notes	Same	Same	Same	Bigger	Smaller	Smaller

Source:

In the case of the two trading companies above, zakat acts as a reduction in the tax burden, but does not mean eliminating the obligation to pay taxes. This is the same as what happened in Saudi Arabia which both implemented taxes and zakat (Muhammad, 2019); (Arab, Zakariyah and Abdullatif, 2022). In contrast to Malaysia where there is a choice for taxpayers whether to pay taxes or zakat, choose only one (Hamat, 2014). In the case of the two trading companies above, zakat acts as a deduction from the tax burden, but it does not mean that it cancels the obligation to pay taxes. This is the same as what happened in Saudi Arabia where taxes and zakat are both implemented and different from those in Malaysia where there are options for those who pay zakat not needing to pay taxes or vice versa.

Case 3: Property Company PT. ABC Land Syariah pays business entity zakat. PT ABC Land Syariah is a property company that generates revenue from property sales or property services in 2021. Based on the company's income statement, turnover for that year reached Rp. 4,500,000,000. After deducting the cost of sales of IDR 2,800,000,000, the gross profit of PT ABC Land Syariah is IDR 1,700,000,000. During 2021, PT. ABC Land Syariah has paid business entity zakat of IDR 50,000,000 to the Amil Zakat Institution which has been approved by the Minister of Finance. Zakat is deducted from the gross profit of the business so that the taxable income is IDR 1,200,000,000.

The taxable income will be subject to income tax (PPh) in accordance with the applicable laws and regulations. However, because PT ABC Land Syariah is engaged in the property sector, the tax calculation uses the final Income Tax Article 4 paragraph 2 scheme. This means that the calculation of tax payable is calculated based on sales turnover, not taxable income. In this case, the income tax payable by PT ABC Land Syariah is 2% of sales turnover in 2021.

Using the figures provided, the payable income tax that must be paid by PT ABC Land Syariah is: $2\% \times \text{IDR } 4,500,000,000 = \text{IDR } 90,000,000$. Thus, PT ABC Land Syariah must pay income tax of Rp. 90,000,000 to the government. Companies need to calculate the cost of taxes to be paid to find out the net profit earned. Net profit is the remaining income after deducting all expenses including taxes payable. Therefore, the net profit earned by PT ABC Land Syariah in 2021 can be calculated using the formula: $\text{Gross Profit} - \text{Expenses (including taxes)} = \text{Net Profit}$. By using the numbers that have been given, the net profit earned by PT. ABC Land Sharia for 2021 is: $\text{Rp. } 1,700,000,000 - (\text{Rp } 90,000,000) = \text{Rp. } 1,610,000,000$. Thus, PT ABC Land Syariah succeeded in obtaining a net profit of Rp. 1,610,000,000,000 during 2021 after taking into account costs including taxes payable.

Case 4: Property Company PT. ABC Land does not pay business entity zakat. In the company's profit and loss report it is known that during 2021 PT. ABC Land managed to record a turnover

of IDR 4,500,000,000 after deducting the cost of sales of IDR 2,800,000,000, so the company's gross profit reached IDR 1,700,000,000. However, the income statement also reveals that PT. ABC Land does not pay company zakat during 2021, so the company's taxable income is IDR 1,250,000,000. Because PT. ABC Land operates in the property sector, its tax calculation uses the final income tax scheme article 4 paragraph 2, so that the calculation of the tax payable is calculated based on sales turnover, not taxable

income. From the calculation results, it is known that the income tax payable by PT ABC Land is Rp. 90,000,000. Property companies are obliged to pay income tax of that size to the State, as a form of social obligation and corporate financial contribution in supporting the development and progress of the State. Income tax must be paid within the time specified in accordance with the applicable tax regulations, so as not to be subject to sanctions and fines due to late tax payments.

Table 5
Examples of Cases 3 and 4

Zakat Payment	Turnover	HPP	Gross profit	Cost	Pkp	PPh payable
Not	4.500.000.000	2.800.000.000	1.700.000.000	450.000.000	1.250.000.000	90.000.000
Yes	4.500.000.000	2.800.000.000	1.700.000.000	500.000.000	1.200.000.000	90.000.000
Note	Same	Same	Same	Bigger	Smaller	Same

Source:

In the case of a property company, zakat does not act as a deduction from taxes. This means giving zakat or not both have no effect on the amount of the tax bill. This is because the calculation of the tax percentage has been determined at the beginning, which is different from a non-property trading company. The implication of the policy of imposing zakat is only effective for trading companies and not effective for property companies. The government should not impose zakat on property companies.

CONCLUSION

he payment of zakat of business entities by trading companies affects the taxable income and income tax payable, in accordance with the initial objective that the payment of zakat will reduce taxable income and income tax payable. The payment of zakat on business entities by property companies has an effect on Taxable Income but does not affect Income Tax payable,

because the calculation of income tax for property companies is final, calculated from the value of business turnover not based on taxable income, so for business entities whose tax calculations have been determined are Finally, the initial goal that the payment of zakat will be able to reduce the income tax payable becomes irrelevant.

Further studies are needed regarding the benefits of paying zakat for companies whose tax calculations have been determined using the Final PPh scheme such as property companies, contractors, real estate or companies that use the Final PPh scheme according to Government Regulation Number 46 of 2013 last amended by Government Regulation Number 23 of 2018. The Indonesian Ulema Council through the Sharia Supervisory Board needs to make regulations regarding the obligation to pay zakat for business entities for companies with sharia "embellishments", payment

of zakat for business entities is one of the requirements for issuing permits for companies with sharia labels so that zakat receipts from business entities will increase.

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