

Zakat (Tithe) In Shariah Accounting Perspective

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Abstract: *Company as Corporation, like in individual has right to have company property in developing it and receive profit from company property as well. So that it must be the the company has its obligation to pay tithe (zakat). Sharia Accounting Perspective for Company, the aim is in order to carry out tithe appropriately, it is to purify company property or individual property to the bussiness that has been done, based on Ilahiyah (Godlike) reality and it can provide welfare to the poor who have difficult time in economic difficulty. The Method in accordance with sharia regard to tithe (zakat) that has to be paid is not situated on the result of company activities. It is, however, situated on thought about property. Profit is assessed as well as the raising of property, so that it is assumed as a part of property that must be paid for the tithe (zakat).*

Keyword: *property, accounting, shariah, tithe.*

I. Introduction

Company (business institution) as a compulsory tax until recently have been still in debating in every situation and circle. It is, however, company as corporation, like in individual has company property, develop company property and receive profit from company property as well. So that companies should have their obligation to pay tithe (zakat).

A part of those debating and arguing, it is interest theme to review Shariah accounting for the company in order to carry out tithe (zakat) properly, it is to purify company property or individual property for the business that have been done based on the fact of Ilaiyah and it can provide welfare to the poor in economic difficulty caused of prolonged monetary crisis.

In the term of history tax has existed a long time ago, although in that time it hadn't been given the name as ' tax '. On the time of kingdom era the provision of tribute as a sign of compliance with the authorities (a good citizen) can be also classified as tax. In Java language evidence of compliance with the authorities are often referred to "asok glondong pengareng-areng". Various terms about this tax shows that tax with a variety form there is always in the powers system or any government.

Tax is much different from others fees from government, such as retribution, donation, custom office, and so on. It is, however, basically the meaning is the same, it is contribution from the people to the state treasury (the transition wealth of private sector to the government sector) by law (can be imposed) without getting services reciprocal (tegen prestatie) that can be pointed directly and can be used to finance general expenses (public uitgavern)" (Rochmat, 1977, page, 22).

For the company taxation system which is applicable will greatly affect accounting policy in company. This because the company will try to adapt to the applicable provision. Mainly related to the financial report concerning the tax that to be paid by company. In other side, the management will try to find the profit as much as possible while they can make financial report which are reliable and relevant. This effort is called earning management, that is intervene in the management of the external financial reporting process with the aim to benefit themselves." (Lilis Setiawati and Ainun Na'im, 2000, page 424).

Accounting policy in America has been long time attracted attention for researchers, so did for regulator. Therefore it need to be evaluated, how far is the influence of progressive tax to company accounting policy. As well as the possibility of company management to do earning management in order to gain the profit as much as possible.

Taxation system in a country it is much influenced by political system and economic system of a country. Taxes as a product from government policy is one of the activities of economic regulation, where tax as one of "Central Authority" economic regulation, directly or indirectly, will be a strong influence on the company's financial reporting policy. Because "Accounting is highly regulated area of economic activity". Beside that: " Is also strongly affected by regulations designed to protect against information asymmetry". (William, 1997, P. 328). In order Accounting can do the report which are reliable and relevant, the company should be able to adapt to the provisions contained in the applicable tax regulation.

Progressive Taxation Its Implications toward Accounting Policy

There are various of tax rate which are given either to institution or individual as tax payer. Classically, there are many kinds of tax rate in taking taxes which are applicable as "Regulation of Economic Activity, they are: 1. Proportional tax rate 2. Degressive tax rate. 3 Flat tax rate 4. Progressive tax rate.

As for the subject in this paper is progressive tax rate. Progressive tax rate is a rate tax that taking tax with the increasing percentage or it is greater as the greater the amount of taxable (Munawir, 1997, page 16). Moreover Munawir explains that: "Progressive tax rate is reflecting to the justice, because the greater income they have, the greater amount to pay the tax. As the greater their income the greater burden or their ability to pay the tax.

As it is explained above that tax as regulation of economic activity, this system tax has highly significant influence to company profit management. Implication of progressive tax policy is to company, the higher income or treasure that company get it will the higher percentage to the tax liability that it must be paid by company.

As for example:

Circular letter from Director General tax No. SE-03/PJ.4/1995 date of February, 8th 1995 about income tax article 25, for example SPT year of tax 1995 is delivered on date March, 30th 1996, with the following data:

-	Net Income entirely	Rp. 500.000.000
-	Irregular net income	Rp. 200.000.000
-	Regular net income	Rp. 300.000.000
-	Taxable income 1995	Rp. 500.000.000
Income Tax payable :		
10 % x	Rp. 25.000.000	= Rp. 2.500.000,-
15 % x	Rp. 25.000.000	= Rp. 3.750.000,-
35 % x	Rp. 450.000.000	= <u>Rp. 135.000.000</u>
		Rp. 141.250.000

This will motivate management company to avoid paying the tax (tax avoidance) which that high, in order to obtain greater profit.

A variety of research on earning management companies associated with this tax, shows that the delay reporting earning of 1 % of a period before the TRA effective to the period after TRA can effectively save tax amount to \$ 0.12%. This tax saving can be also interpreted as additional profit 22% which is obtained only by delaying profit reporting fiscal periode. Frankel and Trezervan (1994) proved that the reduction of the tax rate is an incentive for management to make accounting profit engineering enterprise managers who apply the assumption flow of supply of LIFO, to purchase extra supplies one year before the validity of TRA. By method of LIFO the purchasing at the end of the year will be burdened as main cost selling in the current years. In the normal condition (price increases tend to occur) purchasing extra inventory at the end of the year will increase the value of the cost selling and decreasing profit. The lower profit the lower tax that will be paid.

Tax avoidance from progressive tax can be done in various way by the management, either by split the company into smaller group as well as by diverting their company to other countries and so on. This last phenomenon is also called "Tax Havens", that is a country or a place that has a very low tax rate, so that people or company choose to stay in there or registering their companies in that country in order they can avoid the burden to pay high tax in their own country" (Collins Cobuild, as cited Harry Yusuf A. Laksana, 2002, p. 21). In that way, companies can pay the tax as minimum as possible, therefore Company can gain the profit as maximum as possible within the limit of the financial report which are reliable and relevant.

The research result from Frankel and Trezervan (1994) proved that "reduction of the tax rate is an incentive for mangement to make accounting profit engineering". It means that for management, tax is a burden on companies which can reduce the level of profit companies. So that, this matter will motivate management to do engineering financial report, in order to minimize tax that must be paid by companies

The Importance of Profit Concept in Shariah Accounting

The report of Income statement is one kind of form from financial statement which describes performance in company. Based on conventional accounting concepts, the report about the profit can be used for many interest: "Either for tax base, dividend payment determination, investment guideliness and decision making and predictive element of corporate performance" (Belkoui, 2006). It is appropriate with profit, Income is the name given to a family of concepts in the world of ideas closely related to those of wealth and value, that which contains family in the meaning is personel income, gross income, net income, taxable income, national income, and etc.

Meanwhile Kam (1990, 194) explained that there are three essential elements from the profit as follows: "Income is the change in the capital of an entity between two points in time, excluding changes due to investments by and distribuitions to owners, where capital is expressed in term of value and based on a given scale".

There are various thought stream which develop related to measure to profit according to Belkaoui, 1997, 230), there four streams:

- a. Classical stream: that is stream that characterized, mainly to obedience or compliance with the postulate of the measuring unit and the principle of historical cost.
- b. Neo classical stream: that is the stream that characterized mainly by disobedience to postulate a measuring unit, recognition of changes in the general price level, and obedience to the principles of historical cost.
- c. Radical stream, that is the stream which is characterized for value running as a basis for valuation;
- d. Neo-radical stream, that is stream which uses current values, it is however, adjusted to the general price.

From those streams shows that Profit concept continues to experience growth. Arguing about profit measurement can be extended unlimited. The development concept of operating profit relevance to the development of profit concept in accounting shariah

In accounting shariah, the welfare and profit is a basic determination of tithe, either individual tithe or company tithe (institution). The profit can be so important because the rate system of interest is forbidden in Islam. That is why, the rate of fixed return for capital which is fixed in the previous time was forbidden in Islam. The profit can be so important in accounting shariah if it is compared with the determination of profit in conventional accounting where the profit only as basic for the matters which relates to financial and materially and worldly.

The life of Muslim is arranged by provisions of sharia (Islamic law) where Al-Qur'an and Prophetic of Muhammad S.A.W. as the source of it. The aim is to uphold justice and social welfare in accordance with the command of Allah S.W.T. The basic where shariah accounting appear is Al-Qur'an, Al-Baqarah 282; as follows:

“Hai... religious people, if you do muamalah not in cash for a specified time, let the writer among of you write in the right way. And don't the writer feel reluctant to write it. As Allah has taught, so let him write, and those who are in debt dictate what is the written, and let him to be religious to Allah, and don't he decrease in a small sum from his debt. If those who are in debt are weak sense or weak in condition or he can't dictate, so let someone represent honestly and bring the witnesses two men among you. If there are no man so it is permitted one man and two women as witnesses that you like, in order if someone forget so another man will remind it. Don't the witness feel reluctant to give explaining when they are called, and don't get bored to write the debt whether it is small or much sum until the time pays. In that way, it will be more fair in Allah side and this will be strengthen the witness and will be closer to avoid hesitate. (Write your muamalah) accept if your muamalah cash in trading that you are running among you, so there is no sin among you in buying and selling process, and don't writer and witnesses getting complicated each other. If you do such way, so that will be wickedness on you. Be religious to Allah, Allah has taught you and Allah knows everything” (QS Al-Baqarah:282).

From that verse it can be known that since the emergence of Islamic civilization, there has been order to do writing which stress that the purpose is to get the truth, certainty, openness, justice between two sides who have muamalah relation. The activity which includes Muamalah is activity such as: buying and selling, debts, leasing etc.

The purpose of shariah accounting is related to Al-Qur'an, Hadits and others certain provision Shariah, as Hameed said, (2000, 17) macro as follows:

1. As basis in the calculation of tithe (zakat)
2. Provide a basis for the distribution of profits, welfare distribution and disclosure to the matters and values
3. To convince that the effort have been done by company based on Islam and the profit that have been received not giving lost to the society.

Akhram (1992) like it is cited by Harahap (2001) explains six accounting nature of Islam as follows:

1. Determining appropriate income,
2. Promoting and assessing the efficiency of leadership
3. Adherence to Sharia law
4. Attachment to justice
5. Reporting properly
6. Changing in accounting practice

Meanwhile in Micro purposes, operationally connected with the tithe organization, can be meant as follows:

1. There is transformation from achievement of maximum profit. It means that profit achievement is not the final destination (the ultimate goal) of company, but only as an intermediary.
2. All kinds of company operations must obey to the rules of the games that has been confirmed in Sharia.
3. Tithe (zakat) contains a balanced combination between ego character and altruistic/social concern about other people above personal interest.
4. Tithe (zakat) is part of emancipation
5. Tithe (zakat) connector between human activities – worldly and sacred (ukhrowi).

Based on the purposes above it can be known that shariah accounting has close relationship to the tax liability. Because it is impossible tax liability will be fulfilled without knowing tithe calculation method ingof

property or income. In this context accounting will be able to contribute in the process of calculating the earning results and the amount of assets that will be used as the basis for the imposition of tithe (zakat).

The Correlation between Profit and Tithe (Zakat)

Tithe in Islam has a deep meaning, because "Tithe has meaning holy and purify. Beside that in Islam, tithe (zakat) implies blessing or bring blessing". Moreover Didin said: "Beside that tithe is absolute and unconditional. It means that everybody obliged to pay tithe (zakat) is not based on the need alone but by an obligation." (Hafidhudin, 2001, 36).

Others meaning from tithe can be said as: "amount of property in the form of things or money that is obliged to pay tithe from someone belonging to the poor interest and other society member who need help and they have a right to receive it. Also, "As grateful feeling to Allah SWT and as one way to make us closer to Allah". (Cholid Fadlullah, 2001, 37).

From the description above so it can be concluded that income report has main role in determining how much the tithe that must be paid by company or individual in the company. In an attempt to get a blessing from Allah SWT, getting clean treasure and profit from company, as well as an effort to the welfare for the poor who need help from the tithe.

As for the method according to the Islamic (shariah) regard to tithe which must be paid is not laid on the result of corporate activities. It is, however, by thinking about the property. Profit also assessed as an increase of property, therefore, it is assumed as a part of treasure. Company or corporate is as one of institution which is allowed to have treasure equated with human. Because of the ownership and the use of wealth is essentially free, it is, however, there is rule. The limitation of the rule is different by the distribution and standpoint of tithe it is called ability of tithe. Meanwhile tithe as it is assumed as a profit distribution, the amount of tithe is calculated after profit distribution to the owners. In this matters, each shareholder has nisab from shareholders. If company pays tithe each shareholders, the company should ask to each limited company about its nisab. Company solely owned limited company. However, in the other side, it should be noted the position of each state-owned limited company where they are different each other.

According to Rahman (1995, 264) nisab will be calculated, then tithe will be taken to all kinds of treasure with the following conditions:

1. Mine things : 2.5%
2. Deposit : 20 %
3. Irrigated land : 5 %
4. No irrigated land : 10 %
5. Animals : 1 %

The various conditions prevailing at the beginning of the Islamic era, where there had not been known property group, such as Industrial machinery, paper money, profit profession and trading.

II. Conclusion

From explaining above so it can be concluded here that shariah accounting, is a accounting system which is believed to be the absolute truth in making financial statement about company performance.

This is because the life of Muslim is set out by the provision of Shariah (Islamic Law) which its source is from Al-Qur'an and Hadits Muhammad S.A.W. The purpose is to uphold justice and social welfare according to the command of Allah SWT, as it is ruled in Al-Qur'an in Al-Baqarah 282.

Through the calculation of tithe on treasure or income based on shariah accounting, it will be able to contribute charity in the process of the calculation the result of profit and the amount of asset that will be used as the basis of the imposition of tithe. So that the report of income based on that accounting. It is, certainly, can be used in determining how much tithe from company or individual from the property and of its business. In order Allah will give His blessing.

For that reason it is necessary to have certain measurement for this treasure tithe, by considering the rate of productivity and the profit that has been received from the activities. In order those who have already the time to pay tithe can easily and right to pay in accordance of wealth and saving they have. It is, certainly, can be used apoomuch as possible to help the poor, it is not the rich who have power or authority. So that by tithe can practice the principle of equality more equitably based on Ilaiyah truth.

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