

Measuring perceptions of Muslim consumers toward income tax rebate over zakat on income in Malaysia

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Abstract

Purpose – The purpose of this study is to explore the variables that affect Muslim consumers' perception towards tax rebate over zakat on income in Malaysia.

Design/methodology/approach – A close-ended structured questionnaire was developed and a total number of 236 valid responses were collected through online survey from the Muslims residing in Malaysia.

Findings – This study found that halal-haram aspect of Islamic Shariah, legal consciousness and religiosity of Muslim consumers are positive significant factors for growing perceptions towards tax rebate over zakat on income in Malaysia.

Research limitations/implications – This study will definitely play an important leading role for the policy-makers and academicians in understanding the perceptions of Muslim consumers.

Practical implications – This study can assist zakat and tax authorities in Malaysia for taking corrective actions to adapt or improve the current policy on the basis of its Muslim consumers' perception.

Social implications – The findings of this study can reduce the gap of understanding among Muslims in the society by letting other people's perceptions towards tax rebate through zakat system in Malaysia.

Originality/value – As there are not enough studies in this area, this study will definitely play an important leading role for the countries or policy-makers or concerned zakat or tax institutions all over the world in capitalizing the practices which is highly and positively perceived by the Muslim consumers in Malaysia.

Keywords Perception, Muslim consumer, Malaysia, Tax rebate, Zakat on income

Paper type Research paper

Introduction

Zakat was decreed more than 1400 years ago by Allah SWT to mankind through the messenger Muhammad (PBUH) for removing poverty from the society and also to help the poor people so that the purposes of socio-economic growth can be achieved. From the view point of Islam, zakat is a right of the poor people of the society. Other point of view is that it is an obligatory financial duty of the rich people in the society (Kahf, 1997). It is quoted in the Surah At-Tawbah, "Take sadaqah from their amwal (wealth and income) in order to refine them, and sanctify them with it" (Al-Qur'an, 9:103). There is no other scheme in this world except Islam where it is clearly stated that the right of poor people is a duty of both individual and government through zakat (Shariff and Jusoh, 2011). Zakah is "that portion of



a man's wealth which is designated for the poor" (Sabiq, 1991). On the other hand, tax is defined as "the process of raising money for the purpose of the government by means of contributions from individual persons" (Singh, 2001). Nur Barizah and Abdul Rahman (2007) describe that taxes are enforced merely to increase revenue for the fulfilment of functioning and enlargement expenditure of the state.

The objective of zakat is exceedingly different from the objective of taxation; taxes could not be reckoned as zakat. In spite of having certain similarities between taxation and zakat, the dissimilarities are much greater. Taxation and zakat diverge in their respective jurisdictive sources, in their hypothetical underpinning, their objectives, rates, exemptions and in their expenditures (Nur Barizah and Abdul Rahim, 2007). Zakat is an Islamic religious "tax" charged on the rich and well-to-do members of the society for distribution to the poor and the needy and other recipients based on certain customary benchmarks according to the Qur'an. Zakat is to defend the socio-economic prosperity of the poor and the needy. According to Bakar and Rashid (2010), zakat is still collected on voluntarily basis, whereas tax is a compulsory duty and actionable because of non-payment. The total collection of zakat is still less in spite of having tax rebate on it (Kamil, 2005).

Malaysia is a multi-racial country which consists of typically three ethnic races mainly Malay, Chinese and Indian. However, Islam is the official religion according to the article three of the Malaysian constitution. In Malaysia, zakat management is under the supervision of state government (Lubis *et al.*, 2011). Zakat is just not a pillar of Islam for worshipping Allah SWT but is a right of the poor people of the society (Norulazidah and Myles, 2010). So the government enforces the Muslim people to pay both zakat and tax. Even though Malaysia is following the mixed economy, states are allowed to introduce rules related to the religion Islam. It means the state ruler or sultan has freedom about the religious matters beyond its federal government (Lubis *et al.*, 2011).

Literature review

Perception towards zakat

Schiffman *et al.* (2008) define perception from the view point of consumer behavior that it is a process by which a person selects, organizes and explains sensory stimuli to get a better understanding of the world. Perception process supports us to understand others; why they have different ideas or beliefs and why they want to be strict to their positions or constrained their belief systems; and also helps us to respect others interests in the same matter and to avoid conflicts (Bokeno, 2011). According to Hairunnizam and Radiah (2010), the perceptions of the zakat recipients and the zakat institution management are very important because they are the end user of the services and the one that implement the right decision for the best performance. The performance ranking of zakat institutions depends mainly on the level of satisfaction of the major stakeholders (Halim *et al.*, 2012). In a research conducted by Banerjee and Sah (2012), it was found that customers perceive that they are receiving better services from private banks as compared to public banks in all service dimensions. They also stated that it is customers' beliefs that the chance of getting satisfactory service is more with private banks. Anita *et al.* (2011) found that 50 per cent of the participants of their study chose not to pay zakat because they were not satisfied with zakat institutions. The main reason of their dissatisfaction was incompetence and lack of transparency in zakat distribution. Indeed, privatization of these institutions was not able to meet the respondents' desired level which is acknowledged by the Malaysia Deputy Financial Minister's statement in the Conference of Zakat and Tax 2010 which states that zakat system still remains behind the tax system significantly in the national development.

Personality value of the zakat payer, enforcement on zakat, efficiency of zakat administrator and zakat knowledge are a few factors noticed by Nur Barizah *et al.* (2005). Strong religious values may increase customers' willingness to pay taxes for the benefits of the country. However, Rahim *et al.* (2011) described in the 8th International Conference on Islamic Economics and Finance that behavior of Muslim community in making a comply or non-comply decision to pay the zakat through authorized or unauthorized channels is to achieve satisfaction in the present life and hereafter for thankfulness to Allah subhanahu wa ta'la (swt). It indicates that payment of zakat is from two dimensions: i) satisfaction of Allah swt and ii) to abide by the government rules, whereas tax payers are enforced to pay tax to avoid punishment and penalties. The consumer's perception toward zakat and tax depend on the education, religiosity and law reinforcement as mentioned by Rahim *et al.* (2011).

Halal and haram aspects

Halal originates from an Arabic word that indicates acceptable things in Islam and permitted by Islamic law (JAKIM, 2011). In English, it refers to things that are permissible according to Islamic law, while in Arabic, it refers to things that are allowed under Islam (Kamali, 2003). In Islam, it is very important to maintain halal and abstain from haram in every aspect of life (IHI Alliance, 2009; Laldin, 2006). Halal-Haram (lawful-unlawful) is undoubtedly grounded on Islamic values (Zakaria and Abdul-Talib, 2010). Wilson (2014) stated that human conscience and accountability can be an important area where halal can play a significant role, while Wilson and Liu (2010) mentioned in another article that halal aspect should be considered especially when it is examining consumer perspective. Companies are focusing on a value-driven approach from a consumer-centric approach in the modern marketing (Kotler *et al.*, 2010). A value-driven approach refers to the concept of marketing into the territory of human aspiration, values and spirits. Generally, people think that halal is attached with food and drinks only, but halal and haram have wide implications in Islam. They represent a constitution of morality and a mechanism that screens all deeds and intentions (Almoharby, 2011). The area of halal can be extended up to all consumables and others such as toiletries, pharmaceuticals, cosmetics, income, etc. A halal food product is that product which is produced according to Islamic law (Ceranic and Bozinovic, 2009). The halal and haram laws are static and must be maintained always (Bonne and Verbeke, 2008). Therefore, it is important to confirm the status of the products whether the products are halal or haram. The issue of halal (lawful) and haram (unlawful) status is crucial for Muslims, as it relates to religious claims. Therefore, enacting any law or regulations regarding halal or haram issues of Muslim people need to take into account (Mustafa Afifi *et al.*, 2013). Halal issues can be viewed from three different angles. First, Muslim consumers' attitudes towards the value of halal food purchased. Second, the producers' attitudes towards Muslim consumers whether manufacturers are respecting the belief of Muslim consumers or not. Finally, in case of fraudulent usage of halal logo, what kind of legal actions can be taken, that is, if the laws are enforceable enough or not (Mustafa Afifi and Mohd Mahyeddin, 2012). According to hadith, "Indeed Allah prohibited flesh grown from forbidden source to enter paradise, on the contrarily, hell is the best place for it" (Narrated by Al-Hakim). According to the Al-Quran, (Surah - Al-Baqarah, 172), "O ye who believe! Eat of the good things that we have provided for you". The holy Quran (Surah-al-Nahl, 114-115):

So eat of the sustenance which Allah has provided for you, lawful and good; and be grateful for the favours of Allah, if it is he whom ye serve. He has only forbidden you dead meat, blood, flesh of swine and any food over which the name of other than Allah has been

invoked. But if one is forced by necessity, without wilful disobedience, not transgressing due limits, then Allah is off forgiving and most merciful.

There are more than 250 million Muslim Consumers in Southeast Asia. Malaysia, Singapore, Indonesia and many other countries in this region have government directives to confirm that importers are importing halal-certified products only. Halal is treated as a sign of quality not only by Muslims but also by non-Muslims in these countries (Riaz and Chaudry, 2004). For being halal, producers need to comply with halal criteria which include nature, origin and processing method of the food products (Bonne and Verbeke, 2008). Mainly, all food products are halal except those that are bluntly illegal according to Islamic dietary laws including alcohol, pork, blood and meat from cadavers (Riaz and Chaudry, 2004). In Malaysia, halal status of any consumable goods is a very critical issue because Muslims in Malaysia are very much concerned about the purity or permissibility of foods they are taking (Anir, *et al.*, 2008).

Legal consciousness

The concept of legal consciousness is wide-ranging which has various dimensions and, generally, refers to the method of perception and understanding of the role of law and the process of compliance with law by individuals (Galligan, 2006). Legal consciousness emphasizes on what individuals know about the law (Hertogh, 2004) and the way the law is move toward, raised and used by them. As claimed by Ewick and Silbey (1998), legal consciousness is used to name involvement in the process of building legality. Legal consciousness is established on society's structure of legality, that is, the cultural portrayals of legality that are common in exchange in the life of individuals and groups (Merry, 1990). Legal consciousness is considered as a subjective image of the legal world and is also practiced as one of the forms of social consciousness and always regarded as an indispensable component of the legal culture (Skakun, 2013). Therefore, legal consciousness counts not only the way people act but also their approaches with regard to the lawful actions (Hoffmann, 2003). It is necessary to know not only why, when and how the law and legal organizations are used, but also why and when they are not used (Ewick and Silbey, 1992). In other way, legal consciousness is used to find out the manner in which particular individuals understand what the law is, experience it and respond to it (Merry, 1990).

A large number of authors think that the social identity of people shapes their legal consciousness (Gies, 2003; Sarat, 1990; Nielsen, 2000). Social identity is a pointer on which perceptions of law depend; these perceptions are molded within a specific socio-legal phenomenon (Nielson, 2000) and, hence, rely on the area of law that is being examined (Wilson, 2011). He also showed that the legal issue is an important determinant in understanding of the law by the people concerned. Nielsen (2000) has constructed an analytic framework in which legal consciousness was evaluated from the specific axes. Her intention was to discover variations in legal consciousness across social groups and how race, gender and class shape legal consciousness. Legal consciousness has different dimensions and have been identified in various studies as particular groups of individuals, locations or socio-legal phenomena. Subjects also included, inter alia, women (Marshall, 2003), local government actors (Cooper, 1995), ordinary people (Marshall and Barclay, 2003) and welfare applicants (Cowan, 2004) from the aspects of different situations, for example, legal service offices (Sarat, 1990), to public places (Nielsen, 2000) and the workplace (Marshall, 2003) and a kind of legal issues was covered, such as discrimination, sexual harassment (Marshall, 2003) and welfare (Sarat, 1990). Study found that judges' legal consciousness regarding EU law is very much shaped by their personal experiences with resorting to it and applying it and their knowledge of it (Jaremba, 2013).

Religiosity

Religion is very important for every individual and is considered as a permanent pillar that exists in the lives of believers forever (Kharim, 2010). Indeed, religion is one of the most noticeable aspects in the society that motivates every aspect of a person's lifestyle, beliefs, attitudes and behavior as well (Hanazae and Ramezani, 2011; Mokhlis, 2009). Khraim (2010) concluded that Islamic religiosity is "the degree level of individual commitment, involvement and practice internally and externally to the fundamental principles of Islam". Human decisions are guided by the religion (Hanazae *et al.*, 2011) which is considered as the most influential social factor that affects people (Mukhtar and Butt, 2012) by giving them direction that assist them to interpret and understand the true meaning of life (Delener, 1994). Even though, religion affects human's decision, but it differs from person to person because of their religiosity (Mukhtar and Butt, 2012) mentioning that individual religiosity can be measured with the extent to which they are religious, that is, through their commitment to their religion (Delener, 1990).

Findings of a study done by Esso and Dibb (2004) state that the respondents who are devoted in their religion are significantly different that the respondents who are casually religious. Casually religious buyers are more demanding and innovative, eager to buy new products for trial and like to buy on credit. On the other hand, buyers who are devoted in their religion give more importance to pay cash, conservative in nature, responsible and tolerant also. This research was a supportive the research conducted by Wilkes *et al.* (1986) where they described that more religious consumers do not like to buy on credit. According to other research, religiosity is a strong pointer of consumers' purchase which varies with their level of religiosity (Mokhlis, 2009). The research in the adoption of Islamic mobile banking services among Southeast Asian Muslim and non-Muslim consumers found that two groups are different because of their religion and religiosity (Sun *et al.*, 2012).

Torgler (2006) discussed that religiosity is an important aspect that affects tax morale, which was narrated as the intrinsic motivation to pay taxes. The author used various measurements like church presence, religious education, active participant of a church or a religious institution, perceived religiosity, religious supervision and trust in the church. Religion assists to a certain level in implementing social and legal rules, which is described as "supernatural police" (Anderson and Tollison, 1992). Religiosity controls habits of thoughts of individuals (Torgler, 2006). Religious practices head to spirituality and spirituality is a noticeable aspect of religious participation (Armstrong and Crowther, 2002). Wiliasih *et al.* (2011) mentioned that spirituality is one of the factors that need to be considered in measuring the quality of life. Spirituality is a part of religious teaching and cannot be separated from the influence of religious teaching. Prijosaksono and Irianti (2003) mentioned that the implementation of religious teaching would increase the spirituality, and finally, it will increase quality of life.

Conceptual framework and hypothesis development

By taking all these things into account, a framework has been constructed in reference to the literature review which concentrates on Muslim consumers' perception towards tax rebate over zakat on income in Malaysia. From the literature review, we dug out independent variables, namely, halal-haram aspects, legal consciousness and religiosity, to measure influential aspects of Muslim consumers' perception towards income tax rebate over zakat

on income in Malaysia. Thus, on the basis of the conceptual framework, we drew the following hypothesis *H1*, *H2* and *H3* (Figure 1).

- H1*. Consideration of halal and haram aspects has a significant positive impact on Muslim consumers' perception towards tax rebate over zakat on income.
- H2*. There is a positive and significant relationship between legal consciousness and perceptions of Muslim consumers towards tax rebate over zakat on income.
- H3*. Religiosity has a significant impact on Muslim consumers' perception towards tax rebate over zakat on income.

Methodology

Data collection

To achieve the objectives of the research, this study focused on primary data that have been gathered through an online survey by using close-ended questionnaire which was passed through a pre-test. Researchers used seven-point scale instead of using Likert scale because the quality of the variance in Likert scale diminished, and beyond that point, information will be more discriminant (Alwin, 1997). Data had been collected from peninsular Malaysia through email survey. In all, 1,800 emails were sent for the purpose of getting data and, finally, got 236 responses from the total respondents. The response rate is 13.11 per cent which is supported by other studies done through online data collection by Mitchell *et al.* (2014) where response rate was only 7.2 per cent and Aitken *et al.* (2008) where response rate was 8.7 per cent.

Data measurement

Researchers conducted a pilot test of 50 respondents because it is necessary to check the questionnaire's reliability (Pallant, 2010). Davis and Cosenza (1988) and Mooney and Duval (1993) stated that when number of respondents reaches the range of 30-50, it is considered to be relatively of high quality and is better for the pilot study. However, Hertzog (2008) suggested that sample size of the pilot study depends on the purpose of the study. She mentioned, for instrument development, 25-40 samples are enough, while 30-40 are needed for comparing groups. Thus, researcher distributed 50 questionnaires for this purpose and found the items are reliable to conduct the survey. Reliability is very much important in

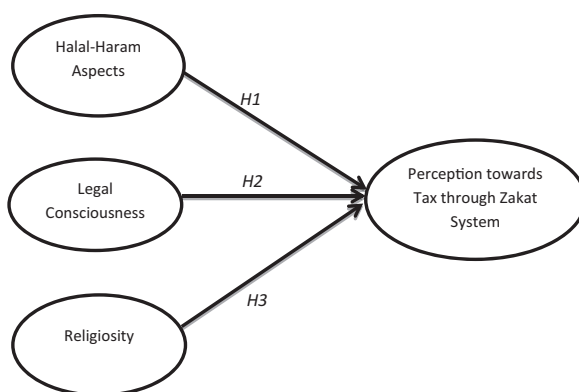


Figure 1.
Conceptual
framework

SEM because researchers need to analyse SEM model with latent variables that embody hypothetical constructs where they look for strong reliability scores (Kline, 2011). According to Hair *et al.* (2010), a value ranging from 0.6 to 0.7 of the Cronbach's alpha is required to be considered acceptable. In this research, the Cronbach's alpha is 0.921 which indicates that there is an adequate consistency among the items.

Results and discussion

SPSS version 21 and AOMS version 24 has been applied. The data were analyzed first on the basis of the demographic characteristics. We found that 44.1 per cent respondents are male, whereas 55.9 per cent of the respondents are female. In the category of age, majority of the respondents are from the age group 41-45 years which represent 21.2 per cent, followed by the age group 36-40 years which scored 19.1 per cent. The least percentage is 0.8 per cent from the age group less than 20 years, while the others are 10.6, 16.5, 11.4, 11.0, 5.1 and 4.2 per cent from the age groups 26-30, 31-35, 46-50, 51-55, 56-60 and above 60 years, respectively. It is also found that 80.9 per cent of the respondents are married, whereas 15.3, 2.5 and 1.3 per cent are single, divorcee and widower/widow, respectively. In terms of nationality, 86.4 per cent are Malaysians and 13.6 per cent are from different nationalities. In reference to the academic qualification, the majority of the respondents are PhD holders (52.5 per cent) followed by Master Degree (34.7 per cent), honours' degree (8.5 per cent) and others (4.2 per cent). Among the respondents, 90.7 per cent are involved in teaching and the rest 9.3 per cent are from different profession. In terms of income, there are 23.7 per cent who are under the income group of RM 6,501-8,000. The rest 18.2, 22.9, 15.7, 14.0 and 5.5 per cent are from the income level "less than RM 5,000", RM 5,001-6,500, RM 8,001-10,000, RM 10,001-15,000 and more than RM 15,000 chronologically. As for living state, the highest number of respondents (47.9 per cent) are from Selangor which is followed by 19.5 per cent from Kuala Lumpur, 8.9 per cent from Negeri Sembilan and 23.7 per cent are from the other states of Malaysia.

We ran exploratory factor analysis (EFA) because it is a statistical tool which is conducted to capture interrelationships that exist among sets of variables (Pallant, 2010). It is considered appropriate when Bartlett's Test of Sphericity is significant ($P < 0.05$) and Kaiser-Meyer-Olkin (KMO) value is between 0 and 1. Tabachnick and Fidell (2007) suggested that KMO value more than 0.60 is treated appropriate in factor analysis. It was observed in our current research that the result of KMO and Bartlett's Test are within the accepted level. We did confirmatory factor analysis (CFA) as well which is mainly run to measure the existence of unidimensionality. Unidimensionality rationalizes all the items and indicates to what extent these are attached to the relevant construct (Jackson *et al.*, 2009; Zainudin, 2012). The outcomes of the EFA and CFA are depicted below (Tables I and II).

SEM has been run with the purpose of examining the proposed model of the study. In the current study, altogether there are three hypotheses which have been concluded from prior literature. Table III below depicted the result of the hypothesis testing. Specially, it emphasizes on the estimates, critical ratios and *p*-values. It can be seen from the table that

Table I.
KMO and Bartlett's
test

Kaiser-Meyer-Olkin measure of sampling adequacy	0.880
Bartlett's Test of Sphericity	
Approximate Chi-Square	3,283.579
df	351
Significance	0.000

		Income tax rebate over zakat on income
375		
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<i>Factor 1: Perception</i>		
I feel that it is acceptable to enjoy tax rebate through zakat	0.791	
Government allows people to receive tax rebate through the amount of zakat they paid	0.686	
I believe tax rebate through zakat system will increase the government's zakat fund	0.684	
The way of paying zakat and getting tax rebate is understandable and clear to me	0.607	
I feel I am fairly treated by the government because I can avoid double taxation of my earnings	0.597	
I feel comfortable when I enjoy tax rebate through zakat	0.597	
I believe tax rebate through zakat system will motivate Muslims to pay their tax and zakat	0.582	
The government allows zakat paid to be claimed as tax rebate	0.556	
<i>Factor 2: Religiosity</i>		
The information of religious books and magazines influence me to enjoy tax rebate through zakat	0.838	
Religious lectures enhance my understanding to choose this system easily without hesitation	0.765	
My religious beliefs influence me to get the advantage of tax rebate through zakat	0.693	
I think tax rebate through zakat system is a sign of government's religious duty towards the Muslims	0.666	
I believe that enjoying tax rebate through zakat is a good system for Muslims	0.569	
I motivate others to enjoy tax rebate through zakat as I feel it is their rights to be free from double taxation	0.515	
<i>Factor 3: Legal consciousness</i>		
I know I have to follow the government rules and regulations as a citizen or resident	0.830	
I always follow the government rules and regulations while I pay my tax	0.810	
I pay tax because I am legally conscious	0.792	
I pay tax because it is an order from the government	0.674	
<i>Factor 4: Halal-Haram</i>		
I am strict regarding halal and haram aspects of Islamic Law or Shariah law	0.762	
I ask my friends or scholars about its permissibility in Islam If I am not clear about anything	0.759	
A practicing Muslim always follow Islamic guidelines to lead his life	0.725	
I believe that I fulfil the requirements of paying zakat	0.583	
I think enjoying tax rebate through payment of zakat is permissible (halal) in Islam	0.543	
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Table II.
Exploratory factor
analysis (EFA)

results of the study approve three of five hypotheses as significant because they all are statistically significant ($p < 0.05$).

From [Figure 2](#), it can be seen that the absolute fit of the model (RMSEA = 0.067, Normed ChiSq= 2.065), incremental fit (CFI = 0.940, GFI = 0.913, AGFI = 0.876) and Parsimonious fit (PNFI = 0.713 and PCFI = 0.752) indicates a good model fit, as all the values met the required level of goodness-of-fit (GOF). Therefore, it was assumed that the model is fit for structural analysis. This study conducted SEM to explore the structural relationship between Muslim consumers' perception and their sentiment regarding halal haram aspects.

Table III.
Hypothesized
relationship
regression weights

The path coefficient value in this regard is also positive 0.35 (Figure 3), which is statistically significant because, according to [Hair and Anderson \(2010\)](#), the path coefficient value should be minimum 0.15 and above. This means halal haram aspects are important considerations which help Muslim consumers to think positively about tax rebate over zakat on income. Moreover, from [Table III](#), it can also be seen that *p*-value (***) is less than 0.001 with a standard error of 0.16. Thus, it can be concluded that this study accepts *H1* which states that consideration of halal and haram aspects has a significant positive impact on Muslim consumers' perception towards tax rebate over zakat on income. According to some previous research findings, the issue of halal (lawful) and haram (unlawful) status is crucial for Muslims, as it relates to religious claims. Therefore, enacting any law or regulations regarding halal or haram issues of Muslim people need to take this into account ([Mustafa Afifi et al., 2013](#)). In Malaysia, halal status of any consumable goods is very critical issue because Muslims in Malaysia are very much concerned about the purity or permissibility of

Relation	Estimate	SE	CR	P
Perception ← Religiosity	0.16	0.07	2.36	0.02
Perception ← Halal_Haram	0.55	0.16	3.49	***
Perception ← Legal_Consciousness	0.28	0.10	2.86	0.00

Notes: Estimate = Standardized regression weight; CR = Critical ratios; SE = Standard error of regression weight; P = Level of significance for regression weight

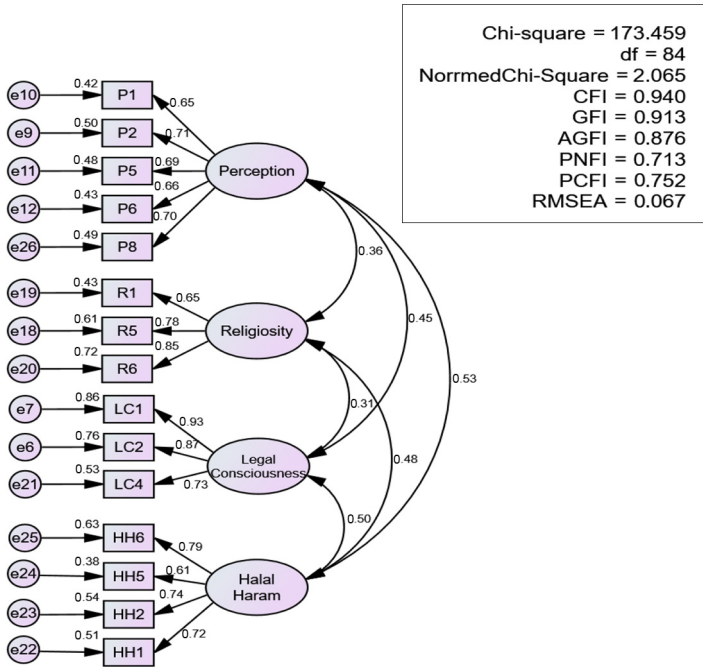


Figure 2.
Measurement model

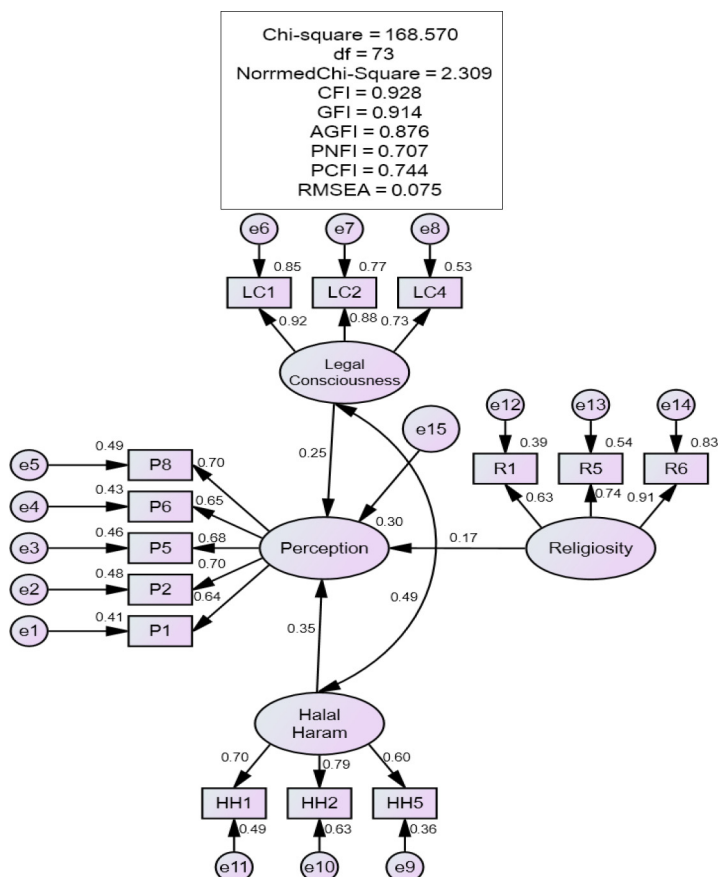


Figure 3.
Structural model

foods they are taking (Anir, *et al.*, 2008). Halal is taken as a symbol of quality not only by Muslims but also by non-Muslims (Riaz and Chaudry, 2004).

Similarly, SEM was used to uncover the structural relationship between legal consciousness and perception and religiosity and perception towards tax rebate through zakat on income to achieve this research objective. The path coefficient values in these regards are also positive, that is, 0.25 and 0.17 (Figure 3), which is statistically significant because, according to Hair and Anderson (2010), the path coefficient value should be minimum 0.15 and above. This means legal consciousness and religiosity have positive significant impacts in growing or building Muslim consumers' perceptions to think positively about tax rebate over zakat on income. Moreover, from Table III, it can also be seen that *p*-value of legal consciousness (0.00) is less than 0.001 with a standard error of 0.10, whereas the *p*-value of religiosity (0.02) is less than 0.05. Thus, it can be concluded that this study accepts *H2* and *H3*, that is, there are positive and significant relationships between legal consciousness and perceptions and religiosity and perception of Muslim consumers' towards tax rebate over zakat on income. According to previous studies (Li and Xin, 2014), legal consciousness varies from person to person. Xin and Li (2014) conducted a research in

China among the village people. Throughout their investigation, they found that the level of law is low in the countryside. Human decisions are guided by the religion (Hanazae et al., 2011) which is considered as the most influential social factor that affects people (Mukhtar and Butt, 2012) by giving them direction that assist them to interpret and understand the true meaning of life (Delener, 1994). Even though religion affects human's decision, it differs from person to person because of their religiosity (Mukhtar and Butt, 2012), meaning that individual religiosity can be measured with the extent to which they are religious means through their commitment to their religion (Delener, 1990) (Table IV).

Conclusion

Tax rebate over zakat on income is a new concept in Sudan and Malaysia (Magda Ismail et al., 2011) and also in Pakistan (Al-Mamun and Haque, 2015). Tax rebate is a well-known term in the world, but tax rebate over zakat is a new system among the countries above as well as in the world. This system protects Muslim people from double taxation, as they have to pay their religious tax called zakat. The system also motivates them to perform their financial prayer (ibadah) properly as a part of their religious duty. These three countries are the pioneer countries who dealt with the interest of their Muslim people. In spite of having a very good number of Muslims in the world, Muslim people are deprived of this right where they can easily enjoy tax rebate over the zakat they paid. Leave alone the world as a whole, Muslims in the Muslim majority countries are being ignored also because there are more than 50 Muslim majority countries in the world but only 3 countries have this combined system. To recapitulate, it can be said that understanding customers' mentality and taking the right decisions to satisfy them is the most important thing in any service providing industry. Tax and zakat authorities are not exception to this. They need to look at the cultural differences of their consumers. A unique system is not perfect in a situation where

Table IV.
Goodness of fit of the
measurement and
structural model

Name of the measured label	Required value	Value obtained	Comments
<i>Measurement model</i>			
Absolute fit			
Normed Chi-Square	≤ 3	2.065	The required level is achieved
RMSEA	≤ 0.08	0.067	The required level is achieved
GFI	≥ 0.90	0.913	The required level is achieved
Incremental fit			
CFI	≥ 0.90	0.940	The required level is achieved
AGFI	≥ 0.80	0.876	The required level is achieved
Parsimonious fit			
PNFI	≥ 0.50	0.713	The required level is achieved
PCFI	≥ 0.50	0.752	The required level is achieved
<i>Structural model</i>			
Absolute fit			
Normed Chi-Square	≤ 3	2.309	The required level is achieved
RMSEA	≤ 0.08	0.075	The required level is achieved
GFI	≥ 0.90	0.914	The required level is achieved
Incremental fit			
CFI	≥ 0.90	0.928	The required level is achieved
AGFI	≥ 0.80	0.876	The required level is achieved
Parsimonious fit			
PNFI	≥ 0.50	0.707	The required level is achieved
PCFI	≥ 0.50	0.744	The required level is achieved

there are differences among the consumers in terms of culture, race, religion, etc. In this consumer-oriented era, success of an industry largely depends on attaining a thorough understanding of the different groups of customers. There are very limited numbers of studies in this area even in Malaysia to know about the consumers' perceptions towards the tax rebate over zakat on income system. Hence, this study will play an important role to fill the literature gap in academic field. Zakat and tax authorities in Malaysia can be benefitted by taking corrective actions to adapt or improve the current policy on the basis of the outcome of this research. We hope this research can help reduce the gap of understanding among Muslims in the society by letting them know other people's perceptions towards tax rebate through zakat system in Malaysia. Our study will definitely play an important leading role for the countries or policy-makers or concerned zakat or tax institutions all over the world in capitalizing the practices which is highly and positively perceived by the Muslim consumers in Malaysia, as there are not enough studies in this area yet.

Limitations and recommendations

There is limitation in every work. It is not exception to this rule of thumb even though the researchers tried their level best to construct everything well. It is important to discuss about the shortcomings of any research so that future researchers can take it into their consideration to improve the area of study or overcome the limitations. The first limitation of this study is the number of respondents. The second limitation of this research is that researchers considered the perceptions of Muslim consumers only but not the non-Muslims. Non-Muslims' perception might be a factor where they are the majority in the country. It is expected that a new dimension of studies can be developed which may help in gaining a deeper understanding in the area of the current study. There are several guidelines that can be made to come up with the new dimension of studies in future. First, it is recommended that researchers can go with larger number of respondents to conduct their research. Second, future researchers can consider the non-Muslims' perceptions towards tax rebate through zakat on income as well.

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Further reading

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