

Garnering potential of zakat in Uzbekistan: A tax policy proposal

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Abstract: This study analyzes the potential of making Uzbekistan's taxation system more inclusive by introducing a tax incentive policy related to zakat (obligatory Islamic alms for the wealthy). Additionally, it explores the establishment of relevant institutions to facilitate zakat collection and distribution. The study employs the method of comparative legal research, combined with exploratory research techniques, to examine taxation and zakat systems in different countries. The study's findings indicate that incorporating zakat incentives, either in the form of tax credits or deductions, into Uzbekistan's taxation system can enhance the role of zakat institutions in the country's economy and reduce tax evasion to some extent. Moreover, it proposes a preliminary model of zakat management for Uzbekistan based on conclusions of the comparative study of various countries and analysis of the national legislation. Finally, the research highlights the necessity of a systematic approach to educate the public about zakat obligations, which is crucial for operation of proposed zakat management model and improving compliance. The study provides essential policy recommendations, including the implementation of zakat tax incentives, enhancing public zakat literacy, and ensuring the efficient operation of zakat institutions. By adopting these measures, the government of Uzbekistan can foster a more equitable and effective taxation system, contributing to socioeconomic development and poverty alleviation.

Keywords: economic policies; tax incentives; socioeconomic development; religious taxation; Muslim-majority country

1. Introduction

Tax systems in many developing countries suffer from severe violations of the principle of inclusiveness. Inequality in social inclusion within taxation may lead to tax evasion in these economies. Initially, it was believed that the primary reason people comply with their tax obligations is the fear of criminal or financial penalties for tax evasion (Allingham and Sandmo, 1972; Becker, 1968). However, another and sometimes even more important factor influencing tax compliance is ethics, norms, and the alignment of the tax system with people's values and beliefs (Carroll, 1987; Wenzel, 2005). Incentives that align with citizens' economic benefits and moral norms can prevent tax dodging and promote tax compliance (Dwenger et al., 2016; Nkundabanyanga et al., 2017).

Luttmer and Singhal (2014) refer to voluntary tax compliance driven by internal values and norms as "Tax Morale". They identify five pathways for its formation: long-term cultural determinants, peer and societal influences, reciprocity, intrinsic motivation, and information defects and deviations from utility maximization. Furthermore, Doerrenberg and Peichl (2018) conducted an experiment to examine the impact of social norms and reciprocity on tax morale. Their findings indicate that

focusing on social norms in tax evasion negatively impacts participant morale. In contrast, emphasizing the reciprocity aspect of tax compliance led to significantly higher tax morale among participants. Hence, Doerrenberg and Peichl (2018) conclude that to encourage tax compliance, it is crucial to address people's feelings appropriately. Making taxation more flexible and adaptable to individual views and preferences through incentives can improve tax efficiency.

Research on the impact of religion on taxpayer morale yields conflicting results. Jun and Yoon (2018) discovered no significant correlation between taxpayer religion and tax compliance in South Korea. A qualitative study by Abdullah (2017) indicated that Muslims who regularly pay zakat have greater tax morale than those who do not.

Nurunnabi's (2018) study on tax evasion and religiosity in 38 Muslim-majority countries found that countries with Shariah regulation (which includes zakat) have less tax evasion. Some studies found that the zakat institution can reduce poverty in low-income Muslim countries and help persecuted Muslim minorities in non-Muslim countries (Amuda, 2019; Hassan et al., 2017).

Taxes are also disliked by CIS citizens for various reasons. A survey found that 6.6% of Russians believe cheating on taxes is always justified (Haerper et al., 2022). Similarly, many people in Uzbekistan, one of the Central Asian member countries of the CIS, try to evade taxes due to several reasons:

- 1) Lack of transparency and fairness in tax collection and spending.
- 2) Suspicion of corruption in government spending of budgetary resources.
- 3) Tax incentives do not accommodate people's religious preferences, especially for zakat donations.

In 2011, 95% of Uzbekistan's population identified as Muslim, making it the largest Muslim-majority country in Central Asia (Inglehart et al., 2022). Zakat, one of five religious responsibilities, is a duty for qualified Muslims who meet nisab conditions. Nisab is the minimum amount that a Muslim must have in possession for one lunar year before being obliged to pay zakat. The nisab was set by Prophet Muhammad (PBUH) at a value equivalent to 87.48 g of gold or 612.36 g of silver or their corresponding cash values. This charity is mandatory for wealthy Muslims to help impoverished individuals. Zakat payments vary by income and wealth, with the most frequent being a 2.5 percent charity of a wealthy person's monetary possessions.

Using zakat as a social institution in a country with a large Muslim population can greatly benefit its people. Preliminary estimates suggest Uzbekistan has a \$1 billion yearly zakat potential (1.45% of GDP) (Mahomed, 2022). Allowing zakat tax incentives and creating non-government zakat funds can enhance Uzbekistan's tax system's equity and inclusivity. Examples include neighboring Commonwealth of Independent States (CIS) countries and other Muslim-majority/minority countries. In contrast to other Muslim-majority countries, Uzbekistan's tax structure does not encourage charitable contributions like zakat. There is limited research on the role of zakat tax incentives and the ineffectiveness of forming zakat funds in Uzbekistan, despite the importance of zakat for Central Asia's economy (Mahomed, 2022). Thus, this research attempts to explore the following research questions:

- 1) What are the economic and social benefits of implementing a functioning zakat system in Uzbekistan?
- 2) What role can zakat tax incentives play in improving tax revenue and reducing

poverty in Uzbekistan?

- 3) What are the required legal, regulatory, and administrative steps to take advantage of the zakat system's benefits for Uzbekistan?

This work reveals important findings and policy implications when investigating the above research questions. The best tax incentive is the zakat tax credit, while the second best is the zakat deductible. Establishing a centralized or decentralized zakat fund is crucial for the smooth operation of the system, with the former being preferred in Uzbekistan. To ensure the system's effectiveness, stakeholders need a fundamental awareness of zakat and its norms. Thus, the government and NGOs' roles in disseminating zakat knowledge are crucial.

The remainder of the paper is structured as follows: Section two covers the study's methodology and data. Section three presents study findings on zakat incentive policies in CIS and other nations. Section four discusses the study's findings and policy implications. The final section summarizes the article, offers policy recommendations, and encourages future research.

2. Materials and methods

This study employs the method of comparative legal research, combined with exploratory research techniques, to examine taxation and zakat regimes in different countries. The research is designed in three steps as follows:

First, it explores current zakat regimes in various countries and identifies zakat tax incentives at work for each. For this purpose, both relevant literature and legislation of each country are examined. We selected several leading Muslim nations such as Saudi Arabia, Kuwait, Sudan, Malaysia, and Indonesia, as well as a Muslim minority country, namely Singapore. Additionally, the zakat incentive schemes in some member countries of the Commonwealth of Independent States (CIS), specifically the Russian Federation, Kazakhstan, and the Kyrgyz Republic, are studied. The study of zakat systems is completed by examining the current situation of zakat payment in Uzbekistan.

Next, following a thorough analysis of zakat administration and incentive laws in various countries, including an assessment of the current situation in Uzbekistan, the proposals for zakat tax incentives are reviewed. Furthermore, organizing zakat institutions in Uzbekistan is discussed, and a preliminary model of zakat management is proposed. Some possible channels for zakat knowledge dissemination are explored. Finally, the study's findings are summarized, and relevant policy recommendations for the establishment and smooth operation of a zakat system in Uzbekistan are provided.

This study gathers economic and demographic data from Uzbekistan and other nations. This information is grouped based on the countries investigated and issues relating to zakat tax incentives or administration in each country. Various data sources are used in the study. Data is sourced from government websites whenever possible. For instance, Lex.uz, the official government webpage of Uzbekistan, is utilized to obtain legal documents. If the official legal translation of the required documents was not available from government portals, CIS-legislation.com provided reliable unauthorized translations.

Additional secondary data, such as country and regional statistics, comes from national statistical organizations or international organizations such as Statistical Agency of Uzbekistan, UNDP, UNICEF, Pew Research Center, and Worldometer. Additionally, statements from Uzbekistan's government officials or stakeholders on the study topic were sourced from trustworthy news outlets or relevant websites. Tables and figures in this study use country-specific and summarized survey data from the World Value Survey (Haerpfer et al., 2022; Inglehart et al., 2022) and previous studies related to Islamic finance, zakat and waqf in Uzbekistan (Imamnazarov, 2020; Tursunov, 2023).

3. Results: Analysis of zakat systems around the world and issues at home

Only 11 out of 57 Muslim-majority states in the Organization of Islamic Cooperation (OIC) have passed zakat laws. A few countries, including Libya, Malaysia, Pakistan, Saudi Arabia, and Sudan, require Muslims to pay zakat. Many countries, including Bahrain, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, and the United Arab Emirates (UAE), have state-supported voluntary zakat systems (UNDP and Baznas, 2018). This section covers zakat systems in OIC member countries, including Saudi Arabia, Malaysia, Indonesia, and Singapore, which have mandatory, voluntary, or state-supported systems. Next, the tax system and zakat treatment in CIS countries are examined, followed by the current situation in Uzbekistan.

3.1. Zakat system in Muslim-majority and minority countries

3.1.1. Zakat and tax system in Saudi Arabia

While addressing zakat in Muslim-majority countries, the Saudi zakat system should not be ignored. Saudi Arabia is one of the few countries that requires Muslims to pay zakat. Its taxation differentiates between Saudi and Gulf Cooperation Council (GCC) nationals and non-GCC citizens. Firstly, no personal income tax is applied to individuals, regardless of nationality. A person conducting or owning a business in Saudi Arabia may be required to pay tax or zakat on earned profits (Daglas, 2022). In Saudi Arabia, business owners who are Saudi or GCC citizens must pay zakat, while non-Saudi owners must pay income tax. If a corporation is owned by both Saudi and non-Saudi owners, the Saudi owners must pay zakat on their share (zakat base), but the non-Saudi portion is taxed differently. Typically, a 2.5% zakat is paid on the company's zakat base, representing the net wealth of Saudi owners. A 20% income tax is imposed on the net adjusted profits of non-Saudi owners and service providers. Oil and hydrocarbon firms pay income tax above 50% (PricewaterhouseCoopers (PwC), 2023).

Saudi Arabia relies heavily on government revenue from oil sales and budgetary spending, while households with sufficient resources contribute significantly to social spending. In 2018, formal zakat donations in Saudi Arabia comprised 0.7% of GDP, but in the UAE, they were only 0.02 (Mathai et al., 2020). Higher zakat contributions in Saudi Arabia may be due to their mandatory nature, while in the UAE it is voluntary. Even though Saudi Arabia taxes zakat exclusively on the Saudi share, individuals and

businesses pay freely through established procedures. Despite this, it still has the highest official zakat donation among Muslim nations.

Despite being a successful zakat system, the Saudi model has limitations. According to Sawmar and Mohammed (2019), four factors directly affect its efficiency: i) the lack of legal mechanisms to ensure zakat payer compliance, ii) the institution's image, iii) disputed collection and distribution processes, and (iv) the perceived fairness of the assessment and collection process. Sawmar and Mohammed (2019) state that an improved governance framework for zakat management institutions should focus on enhancing these four factors identified through interview data and literature study.

However, recent improvements were made to the Saudi zakat system. New zakat regulations, released by the Minister of Finance on 14 March 2019, include substantial modifications. First, zakat is now based on the higher of the adjusted income or base. The zakat base is calculated over a lunar year (354 days) by adding equity and long-term loans, then deducting specified investments and net fixed assets. Additionally, zakat base additions are limited to zakat-deductible long-term assets (Oxford Business Group, 2020). On 14 August 2020, the General Authority of Zakat and Tax (GAZT) of Saudi Arabia updated the Executive Regulations for Zakat Collection to the March 2019 version. The key reform involves imposing financial penalties for late registration, filing, and zakat payment. Effective 1 January 2021, non-compliant zakat payers faced financial penalties (ZATCA, 2020). The adjustments made through the 2019 and 2020 executive orders address concerns identified by Sawmar and Mohammed (2019).

3.1.2. Zakat and tax system in Kuwait

The zakat system of the State of Kuwait is unique and differs from the zakat systems of other countries. Individuals pay zakat voluntarily, while zakat is mandatory for some types of companies. Zakat administration for individuals is carried out by the Kuwait Zakat House, established by Law No. 5 of 1982 on the Creation of a Zakat House. This law stipulates that the resources of the Zakat House shall consist of voluntary zakat payments by individuals (Al-Ajeel, 1995). At the same time, Article 1 of Law No. 46 of 2006 made it mandatory for Kuwaiti public and closed shareholding companies to pay zakat annually at 1% of their net profit (Ministry of Finance of Kuwait, 2006). The law imposes penalties on companies that provide incorrect statements or abstain from submitting their statements with the intention of evasion, including imprisonment for a period not exceeding three years and/or a fine not exceeding five thousand Kuwaiti dinars.

Zakat collection in Kuwait is conducted by the Ministry of Awqaf (Islamic Funds) through the Zakat House and the Ministry of Finance. The Zakat House collects individuals' voluntary zakat, which is later distributed according to Shari'ah rules, while the Ministry of Finance collects mandatory zakat from companies, which contributes to the state budget and is used for public needs (Hammad, 2022). The fiscal revenue of the country heavily relies on oil revenue. The budget revenue of Kuwait for the fiscal year 2023–2024 was estimated at 19,466,608,000 Kuwaiti dinars, with 17,168,773,000 Kuwaiti dinars coming from oil revenues (Ministry of Finance of Kuwait, 2023). Therefore, oil production and sale make up 88% of the country's fiscal

revenues.

There are no taxes on the personal income of individuals in Kuwait, including the salary income of employees. Companies pay 15% corporate income tax. However, companies incorporated in Kuwait and GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE) that are wholly owned by GCC citizens are not subject to corporate income tax in Kuwait (PwC, 2024). Consequently, tax revenues make up only 2.66% of Kuwait's fiscal revenue Ministry of Finance of Kuwait, 2023).

3.1.3. Zakat and tax system in Sudan

Unlike Kuwait, zakat is compulsory in the Republic of the Sudan. Sudanese zakat law makes it obligatory for individuals, whether citizens of the country or not, who own funds subject to zakat. Zakat becomes mandatory upon meeting several conditions, such as possessing the lawful nisab even if the nature of the property changes during the year, and the elapse of one year, applicable only when it is provided as a condition on certain funds (The National Assembly of Republic of the Sudan, 2001).

The zakat law does not impose any penalties on defaulters but provides for the forced recovery of due and unpaid zakat. The law vests an independent body called "The Zakat Chamber" with the responsibility for the collection, administration, and disbursement of zakat. The Zakat Chamber is also responsible for the distribution of zakat among eligible beneficiaries in compliance with Shari'ah. The Chamber carries out its functions under the supervision of the Board of Trustees. (Hassanain and Saaid, 2016) suggest that the lack of coordination between the Zakat Chamber and the financial services system is the main challenge of the Sudanese zakat program. Sudanese taxation law provides tax incentives to pay zakat in the form of deductions from taxable earnings (Hammad, 2022).

3.1.4. Zakat and tax system in Malaysia

Zakat administration in Malaysia is efficient and methodical. Each state has zakat policies, procedures, enforcement, and management, administered by their zakat agencies. The State Islamic Religious Council (SIRC) of each state manages the zakat fund and has complete responsibility in this regard. Zakat institutions like Lembaga Zakat Negeri collect zakat, while the baitulmal (transl: House of Money") department distributes it. Generally, wealthy Muslims must pay zakat al-fitr (given at the end of the fasting month Ramadhan) and zakat al-maal (zakat on wealth or income). The modern economy has seen significant changes in implementing zakat al-maal. Its calculation varies based on the type of income and wealth owned by people or businesses. Zakat al-maal is reported on income or fortune reaching nisab, typically monetary. In this view, zakat al-maal on professional income is more akin to zakat on gold and silver than on crops. Malaysia taxes 2.5% of gross income as zakat al-maal if it exceeds the nisab for gold and silver.

Malaysian zakat and tax agencies typically use one of two collection methods: assessment-based or holding. Zakat payers include corporations and individuals (syaksiyyah mu'tabarah). Corporate taxpayers can deduct 2.5% of aggregate revenue for zakat payments under section 44(11A) of the Revenue Tax Act 1967 (The Commissioner of Law Revision, Malaysia, 2006).

Section 44(11A) of the Income Tax Act 1967 states:

“(11A) There shall be deducted according to this subsection from the aggregate income of a company for the relevant year reduced by any deduction for that year following subsection (1) an amount equal to the payment of zakat perniagaan which is paid in the basis period for that relevant year to an appropriate religious authority established under any written law or any person authorized by such religious authority: Provided that

(a) The amount to be deducted according to this subsection shall not exceed one-fortieth of the aggregate income of the company in the relevant year and

(b) The company is not an offshore company.”

As for individual zakat payment, section 6A(3) of the Income Tax Act 1967 states:

“A rebate shall be granted for a year of assessment for any zakat, fitrah, or any other Islamic religious dues payment which is obligatory, and which are paid in the basis year for that year of assessment to, and evidenced by a receipt issued by, an appropriate religious authority established under any written law.”

Individual taxpayer rebates are limited to the amount of income tax charged for each assessment year, not exceeding it (The Commissioner of Law Revision, Malaysia, 2006). Malaysians can earn 100% income tax rebates for zakat. Corporate taxes are refunded for zakat purposes up to a maximum of 2.5%. Malaysian taxpayers may face enforcement if they do not comply. Additionally, tax agencies in Malaysia report directly to the Prime Minister. The zakat exemption eliminates the need for Muslim taxpayers to pay both zakat and tax separately, as the tax system is integrated. Improved zakat status as a social finance tool leads to better wealth distribution among rich and poor Muslims. Zakat collection may be administered differently by each state, leading to inefficiency and transparency issues in fund administration. Starting in 2001, Malaysia established the zakat rebate as a tax deduction. Zakat rebates encourage individuals who are hesitant to pay taxes to fulfill their commitment to complete the third pillar of Islam, zakat. However, there is no indication that the zakat rebate decreases tax collection in Malaysia. Although successful, the zakat administration in Malaysia still needs improvement due to some incidents of inefficiency, and inconsistent and incorrect fund management by some zakat institutions (Ab Rahman et al., 2012; Razimi et al., 2016). This sometimes reduces faith in those institutions.

3.1.5. Zakat and tax system in Singapore

According to Athief et al. (2023), the Muslim Law Act Chapter 3 Article 68(3) of Singapore mandates zakat al-maal and zakat al-fitr for all Muslims in Singapore. Failure to comply with this responsibility might result in fines or jail (Parliament of Singapore, 1999). zakat fund is managed by Majlis Ugama Islam Singapore (MUIS) through Zakat Singapore, as per the Act. According to section 14(1)(g) of the Income Tax Act of Singapore, zakat contributions are tax-deductible and can be deducted from the muzakki's (person who is obligated to pay zakat) income. Through the Inland Revenue Authority of Singapore's Auto-Inclusion Scheme (IRAS AIS), individual contributors can have MUIS automatically declare zakat contributions upon contributing to the institution. Additionally, the company can give aid in business expenses. Zakat contributions are not eligible for IRAS' 2.5-fold tax deduction of the

donation value. In Singapore, MUIS practices financial, administrative, and programmatic transparency in zakat administration, fulfilling the transparency requirement (Hammad, 2022). The zakat administration releases annual financial reports, strategic goals, and real-time data on collection, distribution, and beneficiaries on its website.

3.1.6. Zakat and tax system in Indonesia

In Indonesia, zakat payment is deductible from taxable income by government regulation (Wijayanti et al., 2022). This is stipulated and regulated by amendments made to Income Tax Law (No. 36) of 2008, which allows the deduction of compulsory zakat from gross income, given that it is paid through zakat institutions or recipient bodies established and approved by the Indonesian government (House of Representative of the Republic of Indonesia, 2008). Similarly, the 2010 Government Regulation (PP) on zakat or religious donations which are mandatory (No. 60) indicates that the gross income can have a deduction for zakat paid, thus reducing overall taxable income (Marpaung, 2020).

Furthermore, the 2011 Law on Management of Zakat (No. 23) in Article 22 and paragraphs one to two of Article 23 also regulates the zakat payments. Specifically, Article 22 states that zakat paid to the Amil Zakat Institution (LAZ) and the National Amil Zakat Agency (BAZNAS) will be deducted from taxable income. On the other hand, proof of zakat payment of each zakat payer is required to be provided by LAZ or BAZNAS to respective tax authorities. This is used as evidence to provide a deduction on taxable income (Article 23) (Sakinah et al., 2022).

Indonesian authorities approve two zakat administrators. The government oversees zakat through Amil Zakat (BAZ), while civil society or private entities collect and distribute it through Amil Zakat Institution (LAZ). However, some LAZ agencies struggle with accountability by not properly reporting collected zakat to the federal government. Effective zakat payment reporting and transparency in conduct have yet to be fully implemented. According to Eko (2017), proper zakat regulation implementation impacts compliance levels in the country. In Indonesia, Wijayanti et al. (2022) found poor zakat compliance rates. The authors note a significant discrepancy between the potential and actual value of zakat payments collected through institutions. They suggest numerous causes, including direct zakat transfers, low motivation, and tax prioritization among Indonesian Muslims.

Table 1 below summarizes zakat management practices and shortcomings in Indonesia, Kuwait, Malaysia, Saudi Arabia, Singapore, and Sudan. Part A of **Table 1** details these practices, while Part B highlights the critical issues and shortcomings of these zakat management systems. Among these, the zakat systems in Indonesia, Malaysia, and Saudi Arabia are considered the most appropriate benchmarks for Uzbekistan. However, even these zakat management systems are not without their shortcomings and issues, as shown in Part B of **Table 1**.

Table 1. Summary of zakat management practices and shortcomings in selected countries (Source: Authors' compilation).

Part A: Zakat management practices						
Feature	Indonesia	Kuwait	Malaysia	Saudi Arabia	Singapore	Sudan
Collection modality	State-led or via Civil Societies	State-led (Ministry of Awqaf)	State-led (Different States)	State-led (Ministry of Finance)	State-led (Zakat Singapore)	State-led (Independent Body)
Payment mechanism	Voluntary	Voluntary (Individuals)/Mandatory (Corporations)	Voluntary and Compulsory (States)	Compulsory	Compulsory	Compulsory
Incentive	Taxable Earning Deduction	Zakat on Business Income (Kuwaiti and GCC Owners)	Tax Payable Deduction	Zakat on Business Income (Saudi and GCC Owners)	Taxable Earning Deduction	Tax Payable Deduction
Providing mechanism	Social Assistance & Microfinancing	Social Assistance & Microfinancing	Social Assistance & Microfinancing	Social Assistance & Microfinancing	Social Assistance	Distribution (Compliance with Shari'ah)
Compliance measures	Not Applicable (Voluntary)	Financial Penalties & Imprisonment	Financial Penalties & Imprisonment (Some States)	Financial Penalties (Late Registration, Filing, Payment)	Financial Penalties & Imprisonment	No Penalty (Forced Recovery)
Part B: Critical issues and shortcomings						
Indonesia	(i) Zakat Institution accountability and transparency law (ii) Low compliance with zakat payment (iii) Scarce data on zakat value realization					
Malaysia	(i) Decentralized management (ii) Money misappropriation by zakat institution (iii) Trust issues of zakat payers					
Saudi Arabia	(i) Lack of legal mechanisms guaranteeing compliance of zakat payers (ii) Perceived image of the zakat institution (iii) Lack of trust due to disputed collection & distribution processes (iv) Perceived fairness of zakat assessment & collection procedure					

3.2. Zakat incentives in Commonwealth of Independent States (CIS) countries

3.2.1. Zakat Incentives in the Russian Federation

Muslims make up about 8%–13% of the Russian Federation. Despite the large Muslim community in Russia, there is no centralized regulatory authority for Muslims (Obaidullah and Shirazi, 2017). Since there is no zakat legislation in Russia, Muslim organizations within the government operate zakat monies differently. The Russian Federation lacks regulations for establishing and managing zakat funds. No centralized zakat fund collects and distributes zakat. However, some independent philanthropic zakat funds operate as non-profit organizations in Muslim-majority regions. Bekkin (2010) states that despite the lack of zakat regulation, collecting and distribution can be done easily under present Russian legislation. Russian Muslims can still use social deductions for zakat gifts to institutions. The Article 219 of Tax Code of The Russian Federation allows for social deductions from personal income tax for contributions to charitable organizations (The Federal Assembly of the Russian Federation, 1998). However, Bekkin (2010) suggests that the tax incentives listed above mostly relate to irregular charitable gifts. Regular zakat payers should receive specific tax benefits.

3.2.2. Zakat Incentives in Kazakhstan

Kazakhstan leads CIS Islamic financing. Kazakhstan established the legal framework for Islamic finance institutions by adopting the Law “*On entering amendments and additions to certain legal acts of the Republic of Kazakhstan on issues of organization and activities of Islamic banks and Islamic finance organizations*” on 12 February 2009. However, the country did not establish any legislation or regulations for zakat institution management and operation.

The Spiritual Administration of Muslims in Kazakhstan founded the zakat fund in 2011 as a non-profit organization. The fund, a non-profit corporation, was created to collect and distribute zakat and other gifts. Article 1 of Law on Non-Commercial Organizations in Kazakhstan allows for the creation of corporate funds by legal bodies at the initiative of its founders (The Parliament of the Republic of Kazakhstan, 2001).

The zakat fund, officially known as the Corporate Fund of Zakat and Charity, operates under non-commercial organization regulation. Unfortunately, Kazakhstan’s tax laws do not offer incentives for individuals to donate to charity organizations like zakat. Baydaulet (2014) believes that legal and regulatory obstacles hinder the regular operation of zakat and waqf organizations in Kazakhstan. In 2020, the Astana International Financial Centre (AIFC) adopted a five-year Islamic Finance Development Master Plan for 2020–2025 to increase the Islamic finance industry’s share of total financial assets to 3%–5% by 2025 (AIFC, 2020). A major goal of the master plan is to establish a strong *zakat* infrastructure and regulatory framework.

3.2.3. Zakat incentives in the Kyrgyz Republic

The Kyrgyz Republic, like Kazakhstan, lacks procedures for zakat collection and distribution. In Kyrgyzstan, zakat payments are made through mosques or other charitable groups due to the lack of a centralized fund. Despite initiating a unified zakat system in 2013, the Spiritual Administration of Muslims of Kyrgyzstan delayed

its implementation until an undefined date. In a survey on zakat, half of the respondents found it more effective to pay zakat to a mosque, while 22% preferred to spend it on a particular fund (Dzhunusbaeva, 2018). The tax law in Kyrgyzstan does not offer incentives for zakat or other charitable donations. The Kyrgyzstan government recently adopted the Concept of Development of an Islamic Economic Platform for 2023–2027, which aims to establish a state-level zakat fund to address financial challenges faced by financially challenged citizens. The document outlines tasks to establish a centralized zakat fund, establish a legislative framework, and prepare specialists for its debut (Cabinet of Ministers of the Kyrgyz Republic, 2023).

See **Table 2** for a summary of zakat management practices in Russia, Kazakhstan, and the Kyrgyz Republic, including new initiatives connected to regulation. The thorough examination of the tax legislation of the Commonwealth of Independent States (CIS) countries revealed that there are no special tax incentives for the payment of zakat by Muslims. However, Muslim citizens in some countries (such as Russian Federation) may use social deductions permitted by the tax legislation when they contribute to zakat foundations.

Table 2. Summary of Zakat management practices in CIS countries (Source: Authors’ compilation).

Feature	Russian Federation	Kazakhstan	Kyrgyz Republic
Collection modality	Charity-led	Charity-led (with centralized corporate fund)	Charity-led
Payment mechanism	Voluntary	Voluntary	Voluntary
Incentive	No incentives (social deduction possible)	No incentives	No incentives
Providing mechanism	Depends on the charity institution	Depends on the charity institution	Depends on the charity institution
Compliance measures	No repercussions for non-payment	No repercussions for non-payment	No repercussions for non-payment
Governing law	No specific law	No specific law	No specific law
Future strategy and implementation	NA	Included in Islamic Finance Development Masterplan 2020–2025	Included in Concept of Development of Islamic Economic Platform 2023–2027

3.3. Current situation of zakat payment in Uzbekistan

Uzbekistan, with almost 37 million residents, accounts for nearly half of Central Asia’s regional population of 79 million as of May 2024 (Statistical Agency of Uzbekistan, 2024; Worldometer, 2024). The proportion of Muslims in Uzbekistan is among the highest in the region, with more than 96% identifying as Muslim (Pew Research Center, 2009). Historically, there has been a high level of unemployment among the fast-growing, largely young population in the country. Despite significant progress, with unemployment reducing from 33% to 12.8% between 2003 and 2017, there is still a large portion of informal employment. According to 2019 data, informal employment accounts for 37% of the total employed population, with 43% of those aged 18 to 30 and 34% of those over 31 employed in the informal economy (UNICEF,

2019).

As of 2022, Uzbekistan is considered a lower-middle-income nation, with approximately 14% of its population, or 5.4 million people, living below the poverty line of \$40 per month (CERR and UNDP, 2023). Despite gaining independence from the Soviet Union over 30 years ago on 31 August 1991, and attempting to cultivate its cultural and religious traditions, there is still no official regulation or law governing zakat collection, management, and distribution in the country.

Some studies indicate that government control over zakat collection and distribution can improve wealth redistribution (Bayraktar and Şencal, 2022). The government of Uzbekistan could reduce poverty by introducing zakat institutions and relevant legislation. Legalizing and institutionalizing zakat collection and distribution could significantly reduce poverty in Uzbekistan. Furthermore, Shirazi (2014) emphasizes the importance of integrating zakat institutions into the poverty alleviation policies of Muslim-majority nations.

However, people's lack of knowledge about their zakat obligations could undermine zakat institutions. Senawi et al. (2021) found that zakat payers' knowledge and understanding of its principles greatly influence their intention to pay zakat. Therefore, a systematic educational program is necessary to increase public understanding of zakat in the country. According to Syauqi et al. (2022), state legislation, religiosity, and zakat awareness can drive people to donate to zakat institutions.

Zakat collection and distribution in Uzbekistan is informal due to the lack of zakat institutions and state engagement (Mahomed, 2022). People often donate zakat directly to needy individuals, typically within their community or to poor families. The inadequate institutional and statutory structure hinders the efficient distribution of zakat payments to eligible recipients. This is unfortunate considering a large portion of the population is interested in fulfilling their zakat obligations. A 2020 survey by the UNDP office in Uzbekistan found that 81% of individuals and 64% of businesses were willing to pay zakat at an individual or corporate level if qualified (Imamnazarov, 2020).

Non-involvement of the government in religious affairs could be the primary reason for the lack of zakat regulations and management institutions in the country. The Constitution of Uzbekistan (Article 75) states that religious organizations are not part of the state (The Oliy Majlis of the Republic of Uzbekistan, 2023). The Law of the Republic of Uzbekistan "On Liberty of Conscience and Religious Organizations" separates state authorities and religious organizations by mutual non-interference (Article 7) (The Oliy Majlis of the Republic of Uzbekistan, 2021).

Although the government is not involved in zakat management, various efforts are taken to regulate religious charity funds. This is seen in the 2018 government decision to establish the 'Vaqf' Public Charity Foundation under the Muslim Board of Uzbekistan. Several government ministries oversee the foundation's founding and maintenance, while government officials serve as trustees, despite the government's non-interference in religious organizations' activities (The President of the Republic of Uzbekistan, 2021; Vaqf.uz, n.d.). State agencies should assist the Muslim Board of Uzbekistan in establishing a separate account for donations (e.g., zakat al-maal, zakat al-fitr) received from residents.

The government of Uzbekistan’s involvement in religious affairs can be positive if it benefits the people. Imamnazarov (2020) suggests that the government should utilize the existing waqf (Islamic endowment) infrastructure to collect, administer, and disburse zakat donations. This concept can serve well in the absence of a centralized zakat fund. Despite receiving gifts from individuals and legal entities, including zakat payments, the Vaqf Foundation allocates resources to government-mandated responsibilities, such as mosque construction, reconstruction, material support, and people support (Vaqf.uz, n.d.). However, a strict rule in the Qur’an states: “*Zakat expenditures are only for the poor and the needy and those employed to collect [zakat] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and the cause of Allah and the [stranded] traveler—an obligation [imposed] by Allah. And Allah is Knowing and Wise*” (Chapter 9: al-Tawba, Verse 60; al-Mehri, 2010).

Using the existing Vaqf Foundation’s infrastructure for zakat collection and administration could lead to improper use of zakat contributions. To qualify as a legitimate zakat institution, the Vaqf Foundation should provide transparency in the procedure for collecting and distributing zakat donations made by the donors. However, a recent study by Tursunov (2023) based on primary data collected through a survey shows the existence of serious doubts among people about the proper usage of funds and the transparency of reporting done by the Vaqf Foundation. **Figure 1** shows that a significant portion (41.1%) of 346 respondents do not have much knowledge about the Vaqf Foundation, and a substantial part (33%) of those (who do and do not have knowledge about the foundation) have doubts about the proper usage of funds by the foundation. On the other hand, a large majority (71.7%) does not know if the foundation reports its activities regularly, and even if they do, the bulk of them (15.9% out of 28.3%) do not believe it is done transparently (see **Figure 2**). This suggests that it is not easy to use the facilities of the Vaqf Foundation to collect and distribute zakat in the country. The issue can be resolved by the active involvement of the government in the management of zakat collection and distribution.

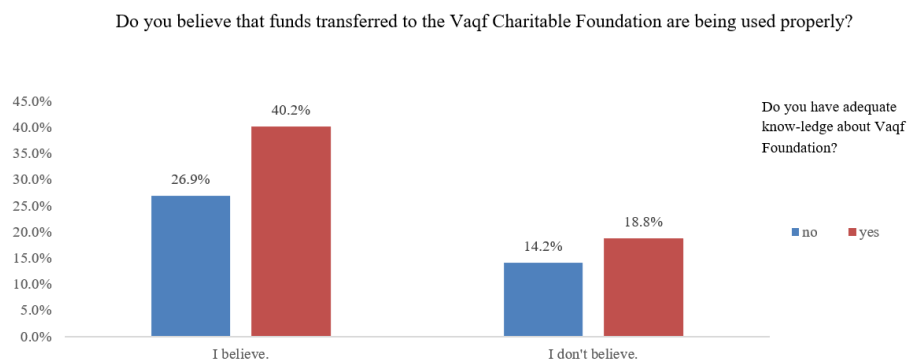


Figure 1. Public perception in Uzbekistan of proper use of funds by the Vaqf charitable foundation (Tursunov, 2023).

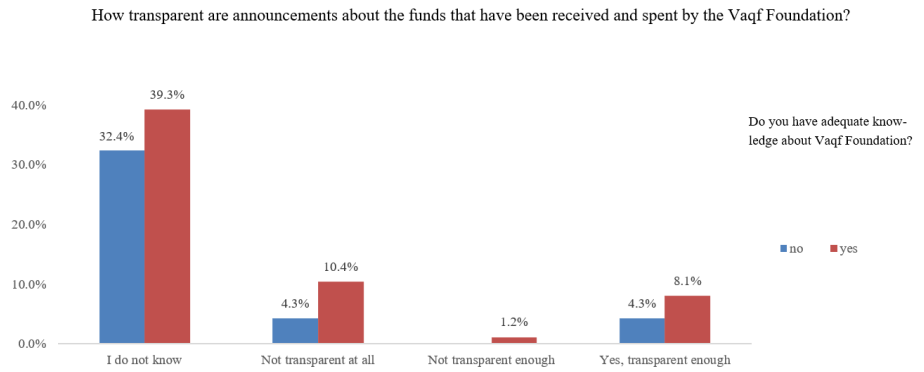


Figure 2. Public perception in Uzbekistan of the transparency of the Vaqf Foundation’s financial announcements (Tursunov, 2023).

Table 3 below summarizes the current situation of zakat management practice in Uzbekistan. Next subsection will provide the proposed zakat tax incentives, the administrative model and knowledge dissemination channels in the country.

Table 3. Summary of zakat management practices in Uzbekistan (Source: Authors’ compilation).

Feature	Uzbekistan
Collection modality	Charity-led (presence of centralized institution)
Payment mechanism	Voluntary
Incentive	No incentives
Providing mechanism	Depends on the charity institution (only Vaqf Foundation is decreed by the government)
Compliance measures	No repercussions for non-payment
Governing law	No specific law
Future strategy and implementation	NA

4. Discussion: Proposal of zakat incentives, administration, and knowledge dissemination in Uzbekistan

4.1. Proposal for zakat tax incentives in Uzbekistan

Many Muslim-majority countries try to lower the expenses of their citizens connected with zakat contributions by providing different tax incentives. As observed in the previous section, countries choose different paths in offering tax incentives for zakat contributions. In this regard, the Malaysian Income Tax Act of 1967 provides one of the most favorable incentives for zakat payment. According to Section 6A (3) of the Malaysian the Act, “A rebate shall be granted for a year of assessment for any zakat, fitrah or any other Islamic religious dues....” (The Commissioner of Law Revision, Malaysia, 2006). Therefore, an individual who pays zakat has the right to reduce the income tax payable to the budget and get relief from double payments from their income. However, a tax rebate for zakat payments may be granted if certain conditions are met, including making these payments directly to zakat institutions. If an individual gives zakat directly to a zakat receiver (asnaf), they are not entitled to a zakat rebate.

Although Singapore is not a Muslim-majority country, the government offers tax incentives to Muslim citizens who pay zakat. Singapore law allows zakat payments to be tax-deductible under Section 14 (1) of the Income Tax Act 1947 (2020 Revised Edition) (Parliament of Singapore, 2020). Although zakat payments are not tax-deductible, Muslim citizens in certain countries, like the Russian Federation, can still use social deductions under tax legislation (The Federal Assembly of the Russian Federation, 1998).

Muslims in Uzbekistan cannot use tax incentives to account for zakat donations. This is because Uzbekistan's tax laws do not allow for individual social deductions. The Tax Code of Uzbekistan permits tax deductions for patronage support or philanthropic donations in the field of culture and art (The Oliy Majlis of the Republic of Uzbekistan, 2020). Transferred funds to charitable organizations, including zakat gifts to the Vaqf Foundation, are taxed. The lack of tax incentives may deter individuals from paying zakat, as it may be financially burdensome to pay both government-mandated income tax and zakat simultaneously. However, it may encourage tax avoidance by those who prioritize zakat over state taxes.

After assuming power in 2016, the new administration of Uzbekistan has prioritized the population's social, cultural, and religious concerns. Various religious rituals and independent charity organizations have emerged. Uzbekistan's government began promoting Islamic finance products for the first time since 1991 (UZA, 2020). After meeting with Uzbekistan's business community in September 2023, the president announced a new presidential decree emphasizing the introduction of Islamic finance regulations. It promises a draft Islamic finance law by December 2023. The law would establish a legal framework for Islamic products, services, and banking, as well as taxation of these products and organizations. The bill is expected to address the treatment of zakat paid by Islamic financial institutions and individual zakat payers and provide instructions for establishing zakat organizations to meet those demands (The President of the Republic of Uzbekistan, 2023).

In this regard, some strategies for introducing tax incentives for zakat payments, based on international experience, can be considered. One effective incentive is a zakat tax credit scheme, which deducts the amount of zakat paid from the payer's other tax responsibilities. Zakat payers are encouraged to comply with tax and zakat responsibilities by minimizing their tax burden. Another alternative is to make zakat paid to centralized organizations tax-deductible, allowing the payer to deduct the amount from their gross income, akin to Malaysia and Indonesia. This strategy requires centralizing zakat collection and management entities.

Considering the slowness of the process of adopting Islamic finance legislation in Uzbekistan, a provisional measure of making charitable donations tax deductible (similar to Russian tax legislation) is recommended. Until the adoption of tax incentives for zakat payments, people can deduct from their income transfers to charitable organizations, including zakat or waqf institutions. Establishing tax incentives for zakat payments in Uzbekistan may encourage Muslims to be active in paying zakat since it is a form of mandatory worship in Islam and further enhance tax compliance among them.

4.2. Organizing zakat institutions in Uzbekistan

The roles played by zakat and modern taxes differ significantly in many Muslim-majority countries. According to a study by Abu Bakar and Abdul Rahman (2007), zakat, in addition to fulfilling religious obligations, can assist in poverty alleviation and reducing disparities in society through modern fiscal policies, as seen in Malaysia. The study shows that zakat implementation is less effective in most Muslim countries, limiting its societal advantages. Hence, the survival and success of zakat institutions depend on public education about Islamic obligations and government support (Abu Bakar and Abdul Rahman, 2007).

To apply the zakat system in Uzbekistan, its constitution and legal structure should be studied first. According to its constitution, Uzbekistan is a secular state, unlike Saudi Arabia. Therefore, it is not feasible to implement a mandatory zakat system like the Saudi one. Alternatively, a voluntary zakat system supported by a government body, like Malaysia or Indonesia, is recommended for Uzbekistan. Achieving this requires development of respective zakat system and its rules, which necessitates public support and government's political will.

Effective zakat system functioning requires more than just public and government understanding and political resolve. To achieve zakat goals, the regulated system must optimize management and ensure payer compliance. Organizational characteristics such as stakeholder management, transparency, disclosure, justice, and trust in fairness impact Muslim zakat payment compliance (Sawmar and Mohammed, 2021). The Vaqf Foundation was proposed to administer zakat collection and distribution in case of Uzbekistan. However, the foundation's transparency and disclosure are questionable.

As mentioned, the Vaqf Foundation accepts donations for zakat, waqf, and other voluntary causes. All donations should be processed differently based on their receivers, and the collected amount and allocation should be declared. However, the foundation's disclosure policies have not shown this. In a briefing statement on the foundation's website, management disclosed the total donation amount and eight primary spending segments, along with the corresponding amounts. Nevertheless, the briefing did not define the donation amounts or spending segments (Vaqf Charitable Public Foundation, 2023). This skepticism is further supported by the outcome of the survey conducted by Tursunov (2023), as discussed in section 3.3. and shown in **Figures 1 and 2**.

Another key issue is the credibility of the fund, which is closely related to its name and public perception of the foundation. The Vaqf Foundation's name implies its focus on waqf donations and their allocation. While waqf is a discretionary payment, zakat is a mandated religious obligation for wealthy Muslims in Islam. To better manage zakat, a separate entity should be established to collect and distribute both zakat al-fitr and zakat al-maal. The government of Uzbekistan can adopt a zakat system model from Malaysia or Indonesia. In Malaysia, each state has a zakat fund, some of which are private, competing for individual donations. This would give each region in Uzbekistan freedom to develop its own zakat fund.

However, the Indonesian model of centralized zakat organizations may be better suited for Uzbekistan due to its centralized governance. The national government can

establish a Central Zakat Authority and create branches in each region of the country (i.e., regional zakat branches). It would issue formal donation receipts for tax credit or deduction purposes, as most zakat institutions in other countries do. One crucial aspect of the zakat authority is the establishment of a Shari'ah supervisory board, consisting of specialists knowledgeable in zakat rulings. Consider conducting financial and Shari'ah audits of the fund's activities every accounting period and posting audited statements on the organization's website for public records. Regular reporting of its financial activity to the government ministry (e.g., Ministry of Finance) can be mandated. Furthermore, the involvement of the central Muslim authority (e.g., Muslim Board of Uzbekistan) is necessary in supervising activities of and providing advisory assistance to the Central Zakat Authority and its regional branches to minimize Shari'ah non-compliance risks.

Participation and support of non-governmental organizations and financial institutions are also important for the widespread acceptance and smooth operation of the proposed zakat system. Support and collaboration of non-government organizations (NGOs) such as the Vaqf Foundation are essential during the early years of the zakat authority's establishment. These NGOs' assistance in terms of zakat collection and distribution, organizing community projects, and educating the public about zakat is vitally important. Furthermore, the support of financial institutions (Islamic or non-Islamic) can be valuable when it comes to ensuring secure transactions and providing tax credits/deductions for zakat payments. However, Islamic financial institutions can offer other additional services such as providing zakat calculation and zakat saving fund services.

Finally, the most important role in the proposed zakat system is played by the public. Both wealthy and less fortunate segments of Muslim population should be actively involved in fulfillment of their religious duties. First, all wealthy Muslims should be encouraged to pay their zakat as per the Shari'ah guidelines. Second, if they have difficulty estimating zakat payments due, they can utilize available resources for zakat calculation and payment provided by the zakat authority and other supporting institutions. Last, all Muslims, irrespective of their wealth status, should be encouraged to participate in educational programs related to zakat, whether it be related to zakat calculation, payment, eligibility for beneficiaries, or payers.

Figure 3 provides a general scheme of the proposed zakat administration model for Uzbekistan, displaying the relations of all involved entities and stakeholders. Further details of the roles, responsibilities, and key features of these entities are provided in **Table 4**. The given proposal should be considered a preliminary proposal, not a comprehensive one, since the development of a comprehensive zakat administration scheme requires involvement of a separate task force with representatives from each of the suggested entities.

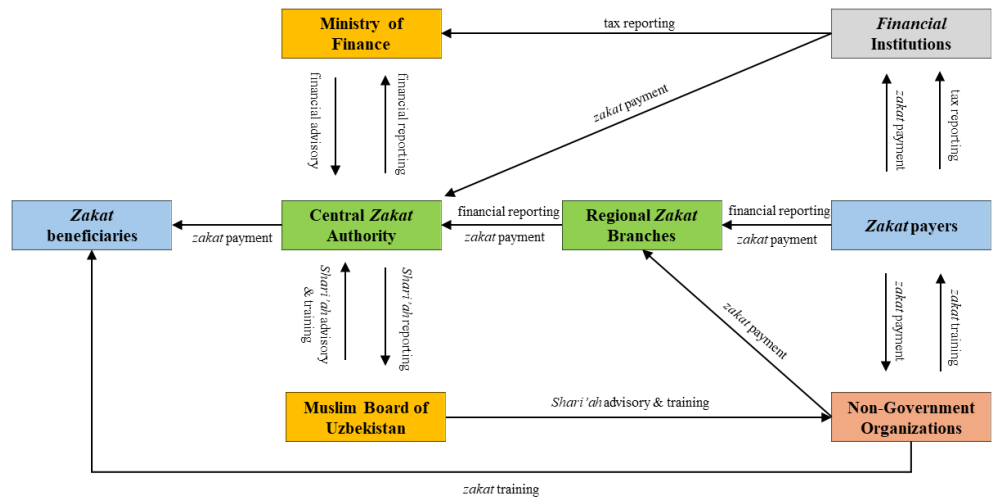


Figure 3. Proposed zakat administration model for Uzbekistan (Source: Authors’ creation).

Table 4. Roles, responsibilities, and key features of entities in the proposed zakat administration model for Uzbekistan (Source: Authors’ compilation).

Entity	Role	Responsibilities	Key Features
Central Zakat Authority	Management and oversight	<ul style="list-style-type: none"> Establishing zakat policies and regulations Ensuring compliance with Shari’ah principles Coordinating with regional branches 	<ul style="list-style-type: none"> Centralized governance Shari’ah Supervisory Board
Regional Zakat Branches	Local implementation	<ul style="list-style-type: none"> Collecting zakat from individuals and businesses Distributing zakat to eligible recipients Reporting to the Central Zakat Authority 	<ul style="list-style-type: none"> Localized collection and distribution Regular audits and transparent reporting
Supervisory bodies e.g., Muslim Board of Uzbekistan, Ministry of Finance	Supervise Shari’ah and tax compliance	<ul style="list-style-type: none"> Supervise Shari’ah compliance of activities of Central Zakat Authority and its regional branches Monitor financial activities of Central Zakat Authority and its regional branches 	<ul style="list-style-type: none"> Shari’ah advisory and audit duties Financial monitoring and audit duties
Non-Government Organizations (NGOs) e.g., Vaqf Foundation	Support and collaboration	<ul style="list-style-type: none"> Assisting in public education about zakat Providing additional resources for zakat collection and distribution Collaborating on community projects 	<ul style="list-style-type: none"> Partnerships with zakat management authorities Community outreach programs
Financial Institutions	Facilitation of zakat payments	<ul style="list-style-type: none"> Offering zakat calculation and payment services Providing tax credits/deductions for zakat payments Ensuring secure transactions 	<ul style="list-style-type: none"> Integration with financial services Tax incentives for zakat payers
Public	Compliance and participation	<ul style="list-style-type: none"> Paying zakat as per the Shari’ah guidelines Utilizing available resources for zakat calculation and payment Participating in educational programs 	<ul style="list-style-type: none"> Increased awareness and understanding of zakat Active participation in zakat initiatives

4.3. Disseminating knowledge about zakat among the public

Even if the majority of Muslims in Uzbekistan are aware that zakat is a religious obligation for the wealthy, most of them lack basic knowledge on how to calculate zakat on their wealth. A large survey covering 4937 individuals, 2235 businesses, and

27 commercial banks by Imamnazarov (2020), with the support of UNDP, studied the general perception of the public and business about Islamic finance and its products. It also sought to learn respondents' views about and knowledge of Islamic social finance products such as zakat, waqf, sadaqat (voluntary charity), and others. When asked about their awareness of zakat as a religious obligation, a very large portion of respondents expressed their familiarity. Specifically, 84% of individuals, 77% of businesses, and 79% of banks stated their familiarity with the concept of zakat.

Furthermore, 81% of individuals and 64% of businesses expressed their willingness to pay zakat at the individual and corporate level, respectively. Additionally, another 17% of individuals and 25% of businesses were also willing to pay zakat but believed that they lacked the required knowledge of methods and techniques for calculating their zakat obligations Imamnazarov (2020). This shows that many people are willing to fulfill their religious obligations regarding zakat payment, but they are uninformed about zakat calculation, payment, and recipient eligibility rules. However, recent years have seen advances in educating the public about zakat. Zakat information was expanded by religious and news websites (Islom.uz, n.d.; Islom.ziyouz.com, n.d.), and some websites and applications featured free zakat calculators in Uzbek (Zakotim.uz, n.d.).

More needs to be done to enhance zakat literacy in Uzbekistan. If a zakat authority is established, its administration and staff must be knowledgeable about various zakat decisions. The fund staff should be familiar with Shari'ah principles for zakat collection, distribution, and treatment, as well as other pertinent issues they may encounter in their daily work. Government officials designing zakat-related tax incentives should have expertise in taxation issues that pertain to zakat. When necessary, they should confer with Islamic scholars and experts on the topic.

It is crucial to educate the public about their zakat obligations. Government, NGOs, educational institutions, and media are expected to promote zakat knowledge among the citizens. Educational institutions can incorporate zakat information into their curriculum, while government agencies and NGOs can host conferences and seminars on the topic. Islamic scholars and finance specialists can enhance public zakat literacy through social media platforms. Improved public understanding of zakat rules can benefit the government financially by covering the social support needs of financially disadvantaged families through zakat donations.

A general summary of issues related to zakat management and administration in Uzbekistan is provided in **Figure 4** below.

Overall, the collaboration of Muslim Board of Uzbekistan and non-government organizations such as Vaqf Foundation with the zakat authority is essential for knowledge dissemination about zakat. Additionally, the government of Uzbekistan should financially and legally support knowledge dissemination activities for the proposed zakat system to take off smoothly.

Other financial institutions can also help individuals and businesses in making zakat payments, financial and tax reporting, and managing their zakat funds. A study of the Islamic finance landscape in Kazakhstan by the Astana International Financial Centre (AIFC) asked 12,190 individuals and 351 businesses about their knowledge and interest in a range of Shari'ah-compliant financial products. The study found that 18% of individuals and 40% of businesses were interested in receiving zakat fund-

related services. For businesses, it was the second most popular choice following Islamic investment funds among eight different options (AIFC and CSQLaw, 2024). This implies that if there is such a large demand for zakat fund-related services in Kazakhstan, there should be at least a similar, if not larger, demand for such services in Uzbekistan, considering it has a much higher concentration of Muslims (56.4% vs. 96.3%) in the population (Pew Research Center, 2009).

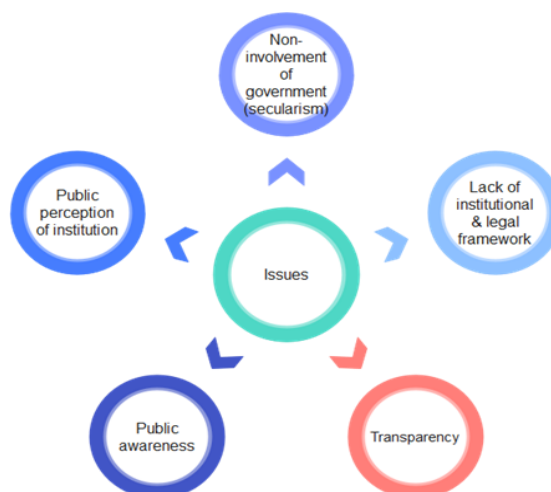


Figure 4. Key issues in zakat management and administration in Uzbekistan (Source: Authors' creation).

Once the general public becomes knowledgeable about their zakat duties, the relevant tax incentives are in place, supporting institutions such as the zakat fund are established, and financial institutions start offering zakat fund-related products, Uzbek society will begin to garner the benefits of zakat in terms of better financial inclusion, less inequality, and reduced poverty.

5. Conclusions

5.1. Summary of findings and policy recommendations

Social institutions and civil societies help reduce poverty and build a nation. In Muslim-majority nations, zakat organizations can significantly reduce poverty and distribute wealth. Thus, Uzbekistan can benefit from the zakat institute. To propose a zakat system that benefits Uzbek society, this study employed the method of comparative legal research, combined with exploratory research techniques, and scrutinized relevant literature. In the process, it examined Uzbekistan's tax legislation, and studied zakat tax incentives and the organization of zakat institutions in other countries. The comprehensive analysis revealed several key insights and strategies that can be instrumental in enhancing Uzbekistan's zakat system.

The findings imply that incorporating zakat incentives, either in the form of tax credits or deductions, into Uzbekistan's taxation system can enhance the role of zakat organizations in the country's economy and reduce tax evasion. Implementing these incentives can not only facilitate better compliance among taxpayers but also foster a culture of voluntary contributions, which is essential for the sustainability of zakat institutions. The main recommendation of the study is to implement a zakat tax credit

system, which deducts the amount of zakat paid from the payer's tax responsibilities. Consider a tax deduction equal to zakat payments, as seen in Malaysia and Indonesia, as a second-best option. Although less efficient in minimizing tax evasion than the first option, it can be better than the existing tax system in Uzbekistan, which does not allow for charitable gift deductions.

Additionally, examining other countries' policies highlights the need to support non-government entities like zakat funds and tax incentives. Such a dual approach of integrating tax incentives with robust institutional support can significantly enhance the efficacy and reach of zakat systems. Zakat institutions like BAZNAS of Indonesia effectively promote voluntary contributions and the distribution of zakat in the country. However, the findings of this study highlight the importance of government bodies in overseeing the central zakat authority we proposed. Additionally, frequent audits and improved disclosure standards can boost the zakat authority's transparency and reputation among the people. Ensuring transparency and accountability through regular audits and clear reporting mechanisms can build trust among the public, encouraging more consistent and substantial contributions.

Nonetheless, the literature also emphasizes the significance of public understanding of zakat concepts. Disseminating zakat knowledge to all stakeholders requires government political will and non-government group support. To maximize the benefits of a zakat system, the Uzbek government should work with non-government groups and individuals to promote zakat awareness. Educational campaigns and community outreach programs are critical in enhancing the public's understanding and engagement with zakat obligations. When the public is aware of their zakat duties, tax incentives are in place, and supporting institutions like the zakat fund are established, Uzbek society will see a gradual reduction in inequality and poverty. Moreover, a well-implemented zakat system can contribute to broader socio-economic goals, such as improving financial inclusion and fostering social unity. In Uzbekistan, these factors should promote harmonious and sustainable socioeconomic development. The strategic collaboration between government bodies, religious institutions, and civil society is critical in realizing the full potential of zakat as a tool for economic and social upliftment.

5.2. Limitations and opportunities for further research

This study focuses on tax incentives, organizational structure, and knowledge diffusion in zakat institutions. Although it evaluated practices from other nations, its main focus was on the implications for Uzbekistan. The investigation relies on secondary data on the zakat system of other nations, with insufficient information on Uzbekistan, due to its limited scope and goal. The recommendations in this study are generic due to the absence of primary data on zakat donations in Uzbekistan. However, some important secondary data and case studies of various countries' zakat management systems contributed significantly to the robustness of the findings and subsequent recommendations. Nonetheless, further detailed studies of the zakat system in Uzbekistan employing primary data collected from zakat-focused surveys or interviews could further enhance the field and provide specific recommendations.

Due to its scope limitations, the study also does not focus on Shari'ah principles

or specific zakat verdicts. Future research can examine the impact of Islamic zakat judgments on tax legislation and find sources such as tax benefits and deductions. Additionally, understanding zakat guidelines is crucial for collecting and distributing money effectively. The appointment of a Shari'ah board and supervision of the zakat fund are crucial for Uzbekistan. Research on these issues is essential to prevent Uzbekistan from repeating the faults of other nations' zakat organizations.

Author contributions: Conceptualization, AA and IT; methodology, AA and MZMN; formal analysis, MZMN; investigation, AA, IT and MZMN; resources, IT and MZMN; writing—original draft preparation, AA, IT and MZMN; writing—review and editing, AA, IT and MZMN; visualization, IT and MZMN; supervision, AA and IT; project administration, AA; funding acquisition, AA. All authors have read and agreed to the published version of the manuscript.

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