# CHAPTER 3

# LITERATURE REVIEW

## 3.1 Introduction

This chapter reviews the relevant literature for this study. Sections 3.1 and 3.2 will explain past studies of zakat and tax compliance, respectively. Following this, Section 3.3 will review the literature on zakat and tax that is related to the compliance behaviour of the people. A discussion on the TPB that was used as the underpinning theory for this study is included in Section 3.4. Meanwhile, Section 3.5 will review prior studies on the factors that influence taxpayers' intention towards zakat payment as a tax rebate. Subsequently, Section 3.6 will present the hypotheses for each independent variable and highlight the constructed theoretical framework for this study. Finally, Section 3.7 will provide a summary of this chapter.

## 3.2 Zakat Compliance

Many studies have been conducted regarding the issues of zakat compliance behaviour. The issues include the development and measurement of zakat, zakat management, and governance transparency of zakat institutions (Azman et al., 2012). Besides that, other issues that have been discussed are the scenarios of zakat management, such as zakat payment, zakat collection, and zakat distribution (Ruzaiman & Nawai, 2017).

Compliance behaviour regarding zakat on income is one of the popular issues that has always been discussed and argued among academicians (Khamis et al., 2012).

Many factors have been proposed to examine the behaviour of individual Muslims towards this issue. Each of the factors influences the views and compliance of an individual in carrying out his/her religious duty as a Muslim.

For example, Muda et al. (2009) tested five factors that might influence zakat payment on income. These factors are altruism, level of faith, self-satisfaction, organisation, and utilitarian. The findings showed that altruism obtained the highest score, followed by the level of faith, self-satisfaction, organisation, and utilitarian. The altruism factor relates to how religious beliefs or moral values influence individual Muslims to pay zakat. Hence, this study indicates that religiosity significantly influences how people engage their behaviour in paying zakat.

A similar study was conducted by Idris et al. (2012) to investigate the Islamic religiosity measurement and its relationship with zakat compliance behaviour. The purpose of this study is to examine the significance of Islamic religiosity from the Islamic perspective and to determine whether this factor influences the zakat compliance behaviour. The finding indicated that religiosity has a significant positive influence on people's behaviour towards zakat compliance.

According to Johari (2013), the role of zakat institutions is one of the most important factors in attracting and encouraging people to pay zakat on income. He also mentioned that the compliance towards zakat payment will be better if zakat institutions improve their service quality to the community. Zakat payers will eventually choose to transfer their contribution directly to zakat institutions if they are satisfied with the management of the institutions.

Next, Noor Azman et al. (2015) examined the factors that influenced zakat compliance behavior on saving among individual Muslim employees. The researchers used the variables of attitude, the referent group, religiosity and perceived corporate credibility to determine the relationship of Muslim employees towards their compliance on zakat saving. The first variables which is the attitude showed the positive relationship towards the compliance on zakat saving. The positive relationship indicated that the employees who have the positive perceptions in paying zakat will fulfill their responsibility as a Muslim. This finding was consistent with previous study that investigate this relationship in the context of zakat on employment income (Bidin et al., 2009).

Zainal et al. (2016) supported that the reputation and efficiency of zakat institutions have a positive relationship with people's behaviour in paying zakat. They stated that the satisfaction with zakat distribution must be improved to encourage Muslims to pay zakat directly to zakat institutions because distrust towards zakat institutions, especially in terms of inefficiency in the management of zakat distribution, will lead to zakat non-compliance behaviour.

A similar also conducted by Sheikh Mokhtar et al. (2018) to test the factors that determine the zakat compliance behavior among Muslim employees. The researcher used the variables in the Theory of Reasoned Action with religiosity as the additional variable. The results were aligned with Noor Azman et al. (2015) study which showed that attitude and religiosity are significantly affected Muslim employees on paying zakat among them. The variable of subjective norm also found the positive relationship on Muslim employees' behavior towards zakat compliance.

On top of that, Bin-Nashwan et al. (2019) conducted the study to examine the determinants of zakat payers' decision to comply with zakat laws. The researchers examined the influence of law enforcement, Islamic religiosity and peer influence on zakat compliance. The researchers pointed out that Islamic religiosity has a significant positive influence on zakat payers' decision to comply with zakat compliance. It indicated that Muslims who highly religious are more likely to comply with zakat. Peer influence also showed a significant relationship with zakat payers' behavior that lead to zakat compliance behavior.

Many studies used the TPB to explain the topic of zakat compliance behaviour, for example, Bidin and Md Idris (2007), Sapingi et al. (2011), Huda et al. (2012), Khaddafi et al. (2014), and Othman et al. (2017). The researchers used three TPB variables, which are attitude, subjective norm, and perceived behavioural control as the independent variables. Their findings indicated a positive relationship between each of the three variables and the intention of people towards zakat compliance behaviour.

In summary, many studies have been conducted to test the factors that influence Muslims to pay zakat on their employment income. Paying zakat is a religious obligation for Muslims, and they are obliged to pay zakat upon fulfilment of certain conditions. All the findings can be used by the zakat institutions and policymakers to educate the general public about the importance of paying zakat in Islam and promote compliance with this religious obligation.

## 3.3 Tax Compliance

Tax compliance can be defined as the compliance in the payment and all revenues by fulfilling all existing requirements of taxation (Kusumawati et al., 2014). Compliance by taxpayers in fulfilling their taxation obligation will help the government to succeed in carrying out its duties in relation to taxation.

Many variables have been tested to determine the factors influencing tax compliance behaviour. Palil et al. (2013) conducted a study on the perception of taxpayers on tax knowledge and tax education that influenced their level of tax compliance. The study examined and analysed the role of religiosity in the relationship of tax education and tax knowledge with tax compliance. The study found that religious values play a crucial role in ensuring the taxpayers pay their tax.

Apart from that, al-Mamun et al. (2014) conducted a study on the impact of demographic factors on tax compliance behaviour in Malaysia. The researchers used demographic factors variables, namely, age, gender, level of income, ethnic group, and academic qualification. The results of the study revealed that only ethnic group and academic qualification influence the taxpayers in Malaysia to pay tax to the government, while other factors produced negative and insignificant results.

Moving on, Damayanti et al. (2015) examined the role of taxpayer's perception of the government and society to improve tax compliance. The researchers used the theory of fiscal psychology (TFP) and subjective norm to describe tax compliance behaviour. The result showed that the taxpayers who have higher perception towards subjective norm will intend to comply with their tax obligations rather than the taxpayers who have a lower perception towards it. Their perception of the government also influences their compliance. Therefore, the tax authorities should implement ways that will encourage taxpayers to pay tax to the government. Taxpayers tend to avoid paying tax if they feel the system provided by the government is unfair to them.

Several researchers have used the TPB in expanding the research on taxpayers' intention-behaviour towards tax compliance. For example, Ramayah et al., (2009) examined the factors that predict the internet tax filling intention among taxpayers in

Malaysia. Two methods were chosen in the study for taxpayers to file their income tax returns, either manually or by e-mail. The TPB variables were used as the independent variables of the study to determine which method would be chosen by the taxpayers to complete their income tax returns. The result indicated that the taxpayers preferred to use the e-mail option to file their income tax return.

Saad (2012) conducted a comparative study on the perceptions of tax fairness and tax compliance behaviour of individual taxpayers in Malaysia and New Zealand. The researcher used the TPB elements as the main variables to achieve the objectives of the study. The result showed that the attitude of individual taxpayers is the most important factor in explaining their behaviour between these two countries. The study also suggested future research to include other potential variables to identify the taxpayers' perceptions of tax fairness and tax compliance behaviour.

Next, Shaharuddin et al. (2012) conducted a study that used the TPB towards tax compliance behaviour among sole proprietorship owners in Malaysia. The results indicated that all the TPB variables, namely attitude, subjective norm, and perceived behavioural control influenced the sole proprietors in making the decision of whether to comply or not with the tax laws.

Kusumawati et al. (2014) also used the TPB to achieve the objective of their study. The study was conducted to determine the mediating effects of attitude, subjective norm, and perceived behavioural control on taxpayers' behaviour through intention. The overall result showed that there is a significant indirect effect of subjective norm and perceived behavioural control on the behaviour of taxpayers through intention.

In summary, many studies have been conducted regarding tax compliance behaviour. This topic has acquired massive attention around the world (Redae & Sekhon, 2015). Therefore, it is important to understand the tax compliance behaviour, especially for governments to know the behaviour of taxpayers and indirectly help them improve the efficiency of the tax system. This efficient system will influence the compliance of Muslim taxpayers that benefits the integration of zakat in tax system. This integration will help them to claim zakat payment as a tax rebate.

### 3.4 Zakat as a Tax Rebate

The zakat rebate was introduced in the Malaysian tax system in the year 2001. Sec 6A (3) of the ITA outlines that Muslim individuals can deduct the amount of zakat paid, but it is limited to the total income tax in the year of assessment. Furthermore, the zakat which can be further divided into zakat *fitr* and zakat *al-mal* must be paid to the state Islamic religious council.

Nevertheless, there are limited published studies on zakat rebate. A recent study by Liana (2018) is a preliminary study on norms and motivation factors towards zakat and income tax payment by Muslim taxpayers. The researcher distributed questionnaires to a group of 20 people who were eligible to pay both tax and zakat. All the selected respondents were from the IRBM to gather their responses since they have knowledge on claiming tax rebates on their zakat payment to zakat institutions. Most of the respondents agreed about the importance of paying both zakat and income tax to help the poor while at the same time promoting the development of the country.

Apart from that, a study done by Bakar and Rashid (2010) tested the factors that influence Muslims' behaviour towards zakat on income. Academicians from three faculties at the International Islamic University Malaysia (IIUM) were used as a sample in this study. The researchers used three variables to identify the factors that may influence Muslims' behaviour to pay zakat on income, namely, sociality, religiosity, and economic motivations. In addition, this study included the level of understanding about the tax rebate system as the external factor. However, the external factor used does not seem to be the prime factor for people to pay zakat on income. This study concluded that some people do not rely on the incentive provided by the government to pay zakat, which may reflect their sincerity in fulfilling their responsibilities towards their religion.

Concerning this matter, it is worth noting that Indonesia has also integrated zakat in its tax system. However, zakat payments by Muslim individual taxpayers in Indonesia are deductible from the individual's total income instead of being treated as a rebate. The income deduction was introduced in the country's income tax system in 1999 under Law No. 38 of 1999 on zakat management.

In response to this, Siswantoro and Nurhayati (2012) conducted a study to analyse the factors that affect Muslims' preferences on zakat as a tax deduction in Indonesia. The targeted respondents of the study are Indonesians who were obliged to pay both zakat and tax. Three variables were used in their study, namely, satisfaction, trust, and motivation in order to analyse the preference of Muslims to claim zakat as a tax deduction. The results of the study revealed that only trust and motivation influence Muslims' preference to claim zakat as a tax deduction. On the other hand, satisfaction provided a negative and insignificant result.

Nurhayati and Siswantoro (2015) conducted a similar study to examine the variables that influence zakat preference as a tax deduction in Acheh, Indonesia. The same variables as the previous study were used, which are satisfaction, trust, and motivation. The results presented similar findings whereby trust and motivation were found to have a significant and negative correlation with the preference for zakat as a tax deduction, while satisfaction has a negative and insignificant correlation. However, neither studies provided theoretical contribution because no theory was adopted to achieve the objectives of their studies.

Based on the discussion above, limited studies have been conducted on zakat as a tax rebate. There is also no specific theory used to achieve the objectives of the studies. Therefore, the present study would complement the previous literature by identifying the factors that influence the individual Muslim's intention to claim zakat payment as a tax rebate. Using the TPB variables, the objective of the present study is to examine the factors that influence Muslim taxpayers' intention to claim zakat payment as a tax rebate. The study also provides knowledge as another variable. The findings from this study will contribute to the scarce of zakat-taxation literature.

## 3.5 Theory of Reasoned Action (TRA) and Theory of Planned Behaviour (TPB)

The theoretical model employed in this study is based on the Theory of Planned Behaviour (TPB). It is a major theory used by previous researchers in the field of social psychology, which essentially attempts to describe the intention and actual behaviour of people (Ajzen, 1991). According to Khaddafi et al. (2014), this theory is also used to look at a person's interest in various associated activities with the intention of sharing with other people. Three main variables are included in this theory to understand in detail about the planned behaviour theory developed by Ajzen (1991). The main variables are attitude, subjective norm, and perceived behavioural control.

This theory specifies the nature of relationships between beliefs and attitudes. According to these models, people's evaluations of, or attitudes toward behavior are determined by their accessible beliefs about the behavior, where a belief is defined as the subjective probability that the behavior will produce a certain outcome. Specifically, the evaluation of each outcome contributes to the attitude in direct proportion to the person's subjective possibility that the behavior produces the outcome in question. Intention acts as a motivational factor in influencing peoples' behavior. It expresses how people are eager to do something and how much effort they put into executing the behavior.

Figures 3.1 and 3.2 below show that both the Theory of Reasoned Action (TRA) and TPB identify and understand the intentions and also behaviour. TRA was proposed by Fishbein and Ajzen (1975) and Ajzen and Fishbein (1980). It is the basic behavioural theory that has been used in many past studies. According to psychology, TRA is a suitable theory to determine the relationship between attitude and behaviour. The variables included in TRA are the behavioural intention, attitude, and subjective norm. Fishbein and Ajzen (1975) defined intention as the desire of people to perform their behaviour. They further described attitude as a belief sense by somebody to accept or reject an object of the behaviour. Meanwhile, subjective norm refers to a reaction of someone to perform or not to perform the behaviour because of the pressure from other people.

TPB is the extended theory from TRA, which was developed by Ajzen (1991). The theory was extended to explain the ability of people in performing their behaviour.

The ability of people depends on their situation, either easy or difficult in performing the behaviour. To overcome the limitation of TRA, Ajzen (1991) introduced another construct to TRA, which is perceived behavioural control to predict human behaviour comprehensively. Ajzen (1991) defined perceived behavioural control as an individual's perception of his/her capability to perform the behaviour. This additional variable is important because it plays a big role in predicting and expanding the behaviour, which is to approve that the behaviour is not under the full control of the individual. Perceived behavioural control can also be determined by past experiences and the individual's estimation of how easy or difficult it is to perform the behaviour.

Meanwhile, TPB assumes that the behaviour of a person is determined not only by the intention but also the ability of that person as well as having control in performing the behaviour. The extension of TRA also happened due to the argument by Ajzen (1991) that a behaviour may not seem likely to occur if the person does not have control over performing the behaviour, even in the existence of positive attitude and positive influence from important others towards the behaviour. Thus, this argument shows that perceived behavioural control also influences the intention to perform the behaviour.

Several studies have applied TPB to determine the behaviour of the individual towards tax and zakat compliance. For zakat compliance, Huda et al. (2012) used this theory to analyse the entire effect of these three variables on zakat payers' intention to pay their zakat. Meanwhile, Kusumawati et al. (2014) used this theory to analyse the effects of attitude, subjective norm, and perceived behavioural control on taxpayers' compliance behaviour. Despite the TPB is widely used in many area of studies, its has not been proven yet in the area of zakat-taxation as whether attitude, subjective norm and perceived behavioural control are possible determinants in predicting the individual’s intention towards zakat payment as a tax rebate among Muslim individual taxpayers.

Hence, this present study used this theory to achieve the objectives set out earlier for this research. The researcher examined whether attitude, subjective norm, and perceived behavioural control influence the intention of taxpayers towards zakat payment as a tax rebate. In addition, this study included knowledge as another variable to gain new information on the tax rebate system.

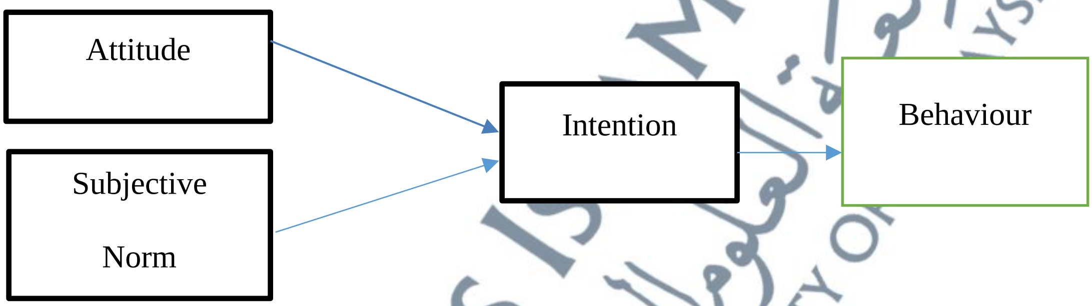


**Figure 3.1:** Theory of Reasoned Action (TRA) by Fishbein and Ajzen (1975) and Ajzen and Fishbein (1980)

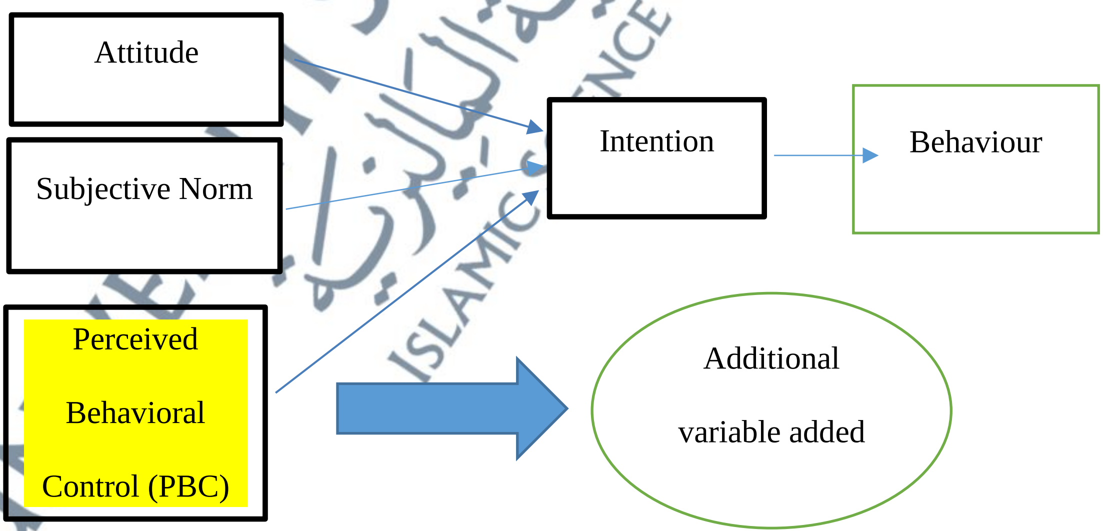


**Figure 3.2:** Theory of Planned Behaviour (TPB) by Ajzen (1991)

## 3.6 Factors that Influence Intention

Many studies have been conducted to predict the intention of people's behaviour towards tax and zakat payment on income (Sapingi et al., 2011; Shaharuddin et al., 2012; Huda et al., 2012; Khaddafi et al., 2014). TPB is usually used to predict human intention and behaviour (Sheppard et al., 1988; Armitage & Christian, 2003). The present study used all the variables in TPB to determine the factors that influence taxpayers' intention to claim zakat payment as a tax rebate. The variable of knowledge was added to identify the level of Muslim taxpayers' knowledge about the tax rebate system in Malaysia.

### 3.6.1 Attitude

Attitude is the first element of the TPB. According to Shook and Bratianu (2010), attitude is a belief in favourable outcomes. It can be understood that the more favourable the possibility of the outcomes, the stronger the intention to perform the behaviour; on the contrary, the less favourable the possibility of the outcomes, the weaker the intention to perform the behaviour. It is supported by the argument of Eagly and Chaiken (1993), which states that attitude is a psychological bias which is approved in the valuation of certain entities with some degree of good deed or disfavour. Attitude also assists people in defining how they can observe and act towards a situation (Pickens, 2009).

The relationship between attitude and behaviour has been well investigated in the literature (Ajzen & Fishbein, 1980). This relationship is supported by a study conducted by Bidin and Md Idris (2007), in which they stated that attitude is believed to have a direct effect on behavioural intention. Many researchers found that attitude has a significant effect on intention and the behaviour of people in paying tax (Shaharuddin et al., 2012; Kusumawati et al., 2014; Saad, 2012) and zakat (Sapingi et al., 2011; Huda et al., 2012; Yusuf et al., 2017).

Concerning taxation, all taxpayers intend to comply with the tax requirements when they have a positive attitude towards it. This attitude may be influenced by various factors, such as the efficiency of the tax system (Shaharuddin et al., 2012). Meanwhile, in the context of zakat, Bidin and Md Idris (2007) found that attitude has a significant correlation with the zakat compliance behaviour on employment income. In the study, the attitude towards zakat reflects a Muslim's intention to comply or not to comply with the payment of zakat on employment income.

In the zakat field, several researchers have treated the attitude towards zakat compliance as a critical factor of behavioural intention. A study conducted by Khaddafi et al. (2014) attempted to predict the intention of zakat payers to pay zakat on commerce. The study used TPB to analyse the influence of attitude, subjective norm, and perceived behavioural control on the intention of traders to pay zakat on commerce. They found that attitude has a positive and significant influence on the intention to pay zakat on commerce.

Regarding the above, Sapingi et al. (2011) used attitude as one of the variables to determine the factors that influence academics' intention to pay zakat. A questionnaire was distributed to 230 academicians in Malaysia, and the result showed that attitude has a significant relationship with the intention to pay zakat among the academicians.

Huda et al. (2012) also found a similar result. The researchers examined attitude as one of the variables to determine the intention of zakat payers to pay zakat on income.

The results showed that attitude obtained the highest score in the data description, where the respondents believed their attitude towards paying zakat would help other people who are in need. The authors concluded that attitude has a significant influence on zakat payers' intention to pay zakat on income.

Furthermore, many studies have been conducted on taxation to examine the attitude of taxpayers towards tax compliance. Previous research by Shaharuddin et al. (2012) discussed the compliance behaviour of sole proprietor taxpayers. The study was conducted to explain how the TPB variables influence sole proprietors in making decisions as to whether or not they would willingly comply with tax laws. The findings indicated that attitude has a positive influence on the intention and behaviour of the sole proprietors.

Apart from that, Kusumawati et al. (2014) conducted a study on the mediating effect of intention on the relationship between TPB variables and taxpayers' behaviour. The objective of the study is to examine the behaviour of hotel taxpayers in paying tax to the government. The result showed that attitude has a significant effect on the behaviour of taxpayers.

In conclusion, attitude is one of the important variables in determining the intention and behaviour of people. This variable reflects the belief of people about the possible outcomes and influences their intention to make a decision in doing something. Based on the above discussion, the following hypothesis is proposed:

H1: Attitude has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

### 3.6.2 Subjective Norm

Subjective norm is described as the belief of individuals which is influenced by their reference group in performing a certain behaviour (Bidin et al., 2009). Subjective norm can be understood as a perception of people's views and thoughts in doing something because of the pressure from other people, such as family and friends (Ajzen, 1980). These perceptions can play an important role for an individual to perform an intention-behaviour, such as the intention to comply with tax and zakat obligations.

In the zakat area, Bidin (2008) found that subjective norm has a significant influence on the zakat compliance intention on employment income. The result is supported by Bidin et al. (2009), where the study analysed the influence of subjective norm on the behavioural intention to comply with zakat on employment income. The researcher found that subjective norm has a significant influence on the compliance intention towards zakat on income.

The result contradicts the study conducted by Huda et al. (2012). The researchers found that subjective norm does not significantly influence zakat payers' intention to pay zakat on income. Similarly, Sapingi et al. (2011) found that subjective norm does not have a significant relationship with the intention to pay zakat among the academicians in Malaysia.

Moving on, Khaddafi et al. (2014) examined the intention of zakat payers to pay zakat using the variables included in TPB. The research was conducted among 2432 traders as the population of the study, and 150 of them were chosen using the purposive sampling technique. The result indicated that subjective norm has no significant influence on the intention of zakat payers to pay zakat.

Meanwhile, in the context of taxation, several studies have been conducted about the intention of taxpayers towards tax compliance behaviour. Previous research by Shaharuddin et al. (2012) examined how the TPB variables might influence sole proprietors in making decisions as to whether or not to comply with tax laws willingly. The findings showed that subjective norm has a positive influence on the intention and behaviour of the sole proprietors.

Meanwhile, study by Kusumawati et al. (2014) examined the mediation effect of intention on the relationship between TPB variables and taxpayers' behaviour regarding paying tax to the government. The study used all the TPB variables, including subjective norm, to achieve its objective. However, it was found that subjective norm does not have a significant effect on the behaviour of taxpayers.

Based on the above arguments, the factor of subjective norm does not consistently affect the intention of zakat payers to pay zakat on income. Given all these points, the researcher aims to examine whether subjective norm does influence taxpayers' intention to claim zakat as a tax rebate by using the TPB, which indicates that subjective norm positively affects the intention of people's behaviour in doing something.

It indicates that people attempt to carry out an action when they believe that other people think it is important for them to carry out such acts. This variable is crucial in identifying the factors that influence zakat compliance behavior among the zakat payers. Thus, this study proposes the following hypothesis:

H2: Subjective norm has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

### 3.6.3 Perceived Behavioural Control

According to Ajzen (1991), perceived behavioural control can be defined as one's perceived ease or difficulty in acting out one's particular intention and behaviour. To explain this perception, Ajzen differentiated it from the locus of control recommended by Rotter (1966). Locus of control is related to one's belief, which is relatively changing in all situations. Linden (2011) also stated that perceived behavioural control can occur in a particular action. This variable may change depending on the situations to be achieved.

Several studies have been conducted using perceived behavioural control as the variable to determine the zakat compliance behaviour towards zakat on income. For example, Khaddafi et al. (2014) used TPB to analyse the influence of attitude, subjective norm, and perceived behavioural control on the intention of traders to pay zakat on commerce. The study found that perceived behavioural control has a positive and significant relationship with the intention of traders to pay zakat on commerce.

Besides that, Huda et al. (2012) found a similar result in their study. The researchers conducted a study to analyse the effect of the TPB variables on zakat payers' intention to pay zakat. The result indicated that perceived behavioural control obtained the highest score among the factors that influence zakat payers to pay zakat on income.

Sapingi et al. (2011) also found that perceived behavioural control has a significant influence on the intention to pay zakat among academicians. The researchers conducted a study on the factors influencing academics' intention to pay zakat on income. The result indicated that zakat payers among academicians have the least control over performing their behaviour to pay zakat.

Meanwhile, in the taxation area, several studies have been conducted regarding tax compliance behaviour. For example, Shaharuddin et al. (2012) found that perceived behavioural control has a positive influence on the intention and behaviour of sole proprietors to pay tax to the government. Similarly, Kusumawati et al. (2014) found that perceived behavioural control has a significant effect on the behaviour of hotelier taxpayers.

In conclusion, perceived behavioural control usually influences the intention of zakat payers to pay zakat on employment income. Based on the above discussion, this study proposes the following hypothesis:

H3: Perceived behavioural control has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

### 3.6.4 Knowledge

According to Grant (1996), knowledge is the most important resource and a fundamental part of obtaining intangible assets. Knowledge can be understood as referring to the condition of knowing something in certain circumstances. Some scholars agreed that knowledge is one of the primary resources for creating value, to gain something or new information, and to obtain competitive advantage (Kogut & Zander, 1992).

Regarding this, several studies showed that knowledge is one of the critical factors influencing Muslims to pay zakat (Yusuf et al., 2017). They concluded that the level of knowledge plays a major role in Muslims' behaviour concerning zakat payment. Both studies also mentioned that knowledge about zakat has an impact on the collection of zakat among the zakat payers.

Apart from that, a study by Al-Mamun and Haque (2015) used the factor of knowledge as one of the variables that affect Muslim consumers' perception of tax deduction through zakat. The result indicated that knowledge about zakat has a significant relationship with Muslim consumers' perception of the tax deduction system in Malaysia.

In the context of taxation, knowledge is also one of the important factors that influence people to pay tax. Palil et al. (2013) found that tax knowledge influences tax compliance among taxpayers. The result indicated that the level of tax knowledge is significant to ensure that the tax collection will be higher. Knowledge enables taxpayers to assess their liability correctly and fulfil their obligation to the government.

Also, Mukhlis et al. (2015) found that tax knowledge has a positive impact on tax fairness and tax compliance. The study was conducted to analyse the role of tax education and tax knowledge and its impact on tax fairness and tax compliance. The result indicated that the tax knowledge gave a positive impact on tax compliance. The result also stated that tax education is very important in influencing the tax knowledge that will increase the tax compliance.

In conclusion, knowledge is one of the important variables in determining the intention of people. Understanding and knowledge affect the intention of people in performing their behaviour. Hence, given all these points, the researcher aims to examine whether knowledge does influence taxpayers' intention to claim zakat as a tax rebate. Thus, this study proposes the following hypothesis.

H4: Knowledge has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

## 3.7 Conceptual Framework and Hypotheses Development

The proposed framework of the study was constructed after reviewing the literature related to the study. A conceptual framework is used in a study to outline the possible courses of action or to present a preferred approach to an idea or thought. Therefore, the researcher has developed the TPB framework, as shown below. The independent variables in this study are attitude, subjective norm, and perceived behavioural control.

In addition, this study included knowledge as another variable. The four variables were tested to measure the intention of Muslim taxpayers in claiming zakat payment as a tax rebate. The independent and dependent variables are reflected in the conceptual framework, as shown in Figure 3.3.

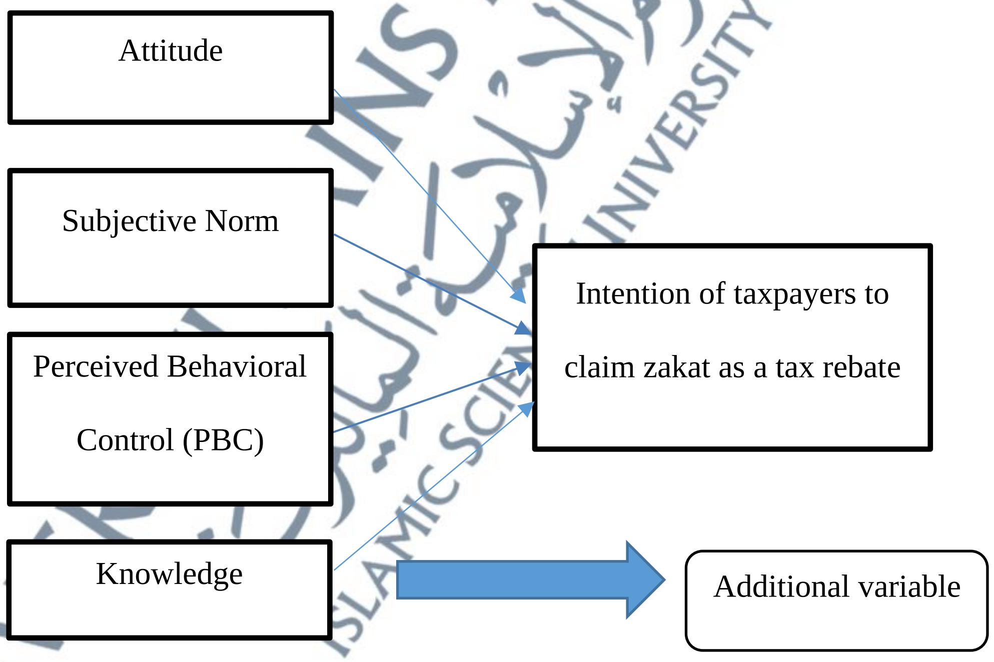


**Figure 3.3:** Conceptual Framework

Based on the conceptual framework shown in the figure above, the study proposes the following hypotheses:

H1: Attitude has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

H2: Subjective norm has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

H3: Perceived behavioural control has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

H4: Knowledge has a positive influence on the intention of taxpayers to claim zakat payment as a tax rebate.

## 3.8 Summary

This chapter provided a review of the literature on tax and zakat compliance. In the zakat area, many studies have been conducted regarding the issues of zakat compliance behaviour. The issues include the development and measurement of zakat, zakat management, and the governance transparency of zakat institutions (Rahman et al., 2012). Meanwhile, in the taxation area, many variables have been tested to identify the factors influencing tax compliance behaviour.

Limited studies have been conducted on zakat payment as a tax rebate. Also, no specific theory has been used to achieve the objectives of those studies. Concerning this, the present study will complement previous literature by identifying the factors that influence the individual Muslim's intention to claim zakat as a tax rebate. By using the TPB variables, the objective of the present study is to examine the factors that influence Muslim taxpayers' intention to claim zakat as a tax rebate. The study also included knowledge as another variable. The findings from this study will contribute to the scarce zakat-taxation literature.

Furthermore, this chapter provided a detailed explanation of TPB, which serves as the theory for this study. The study used all the variables included in this theory, which are attitude, subjective norm, and perceived behavioural control to determine the factors influencing taxpayers' intention to claim zakat as a tax rebate. The variable of knowledge was added to identify the level of Muslim taxpayers' knowledge about the tax rebate system in Malaysia. Lastly, this chapter presented the conceptual framework developed for the study.