

ZAKAT ON LTAT CONTRIBUTIONS: OWNERSHIP, ELIGIBILITY, AND IMPLEMENTATION CHALLENGES

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Abstract: *Malaysian Armed Forces personnel rely heavily on the Lembaga Tabung Angkatan Tentera (LTAT) to secure their post-service financial well-being. However, reconciling these mandatory retirement structures with the religious obligation of zakat presents a complex operational dilemma. This paper investigates the Shariah parameters and institutional frictions surrounding zakat implementation on LTAT contributions. Utilizing a qualitative exploratory design, this study expands on competing fiqh views regarding deferred wealth (mal al-dhimar) and conducts thematic analysis on in-depth interviews with key military and religious stakeholders. The findings indicate that while voluntary savings fit standard zakat frameworks seamlessly, mandatory accounts require a nuanced approach due to structural inaccessibility. To bridge this gap, the paper proposes four operational frameworks, ranging from point-of-withdrawal settlement to automated system integration via wakalah. The study concludes that successful integration demands statutory amendments, inter-agency synergy, and enhanced contributor education to prevent the socio-economic leakage of potential zakat funds.*

Keywords: *Zakat Administration, LTAT Contributions, Mal al-Dhimar, Islamic Social Finance, Retirement Funds*

Introduction

Zakat holds a fundamental role in the Islamic economic justice system as an instrument for wealth purification (*tazkiyah al-mal*) and the redistribution of wealth to the marginalized (*asnaf*) (al-Qaradawi, 1999). The obligation to fulfil zakat is bound by the fulfilment of specific conditions, primarily complete ownership (*al-milk al-tām*), reaching the nisab threshold, and the completion of a one-year holding period or haul (Ibn Qudamah, 1992). While these principles are well-established for liquid assets and current income, their application to long-term retirement contributions, such as those in the Lembaga Tabung Angkatan Tentera (LTAT), presents unique jurisprudential and policy challenges (al-Qaradawi, 1999; Abdullah & Rosele, 2019).

Established under the Armed Forces Fund Act 1973 [Act 101], LTAT serves as a hybrid savings-pension institution for Malaysian Armed Forces personnel. According to its Annual Report, the institution manages approximately RM9.77 billion in Assets Under Management (AUM) for over 115,000 personnel (Lembaga Tabung Angkatan Tentera, 2021). Contributions within LTAT are classified into mandatory and voluntary schemes, with mandatory contributions further divided into two accounts with differing accessibility (LTAT, 2024e). Account 1 cannot be accessed until formal retirement, while Account 2 permits partial withdrawals for specific purposes such as education or housing (LTAT, 2024b; LTAT, 2024d). This disparity in access becomes a critical focal point in determining whether the contributions meet the *al-milk al-tām* criteria required for zakat liability (Abdullah & Rosele, 2019; Ibn Rushd, n.d.).

In the Malaysian context, although zakat is effectively collected on savings and employment income, a centralized or automated mechanism for zakat deduction from LTAT upon withdrawal does not yet exist. The absence of this integration framework is exacerbated by rigid legal constraints under Act 101, which prohibits unauthorized third-party deductions, as well as the lack of harmonized fatwas regarding the exact timing of the zakat obligation on these specific funds (Jabatan Kemajuan Islam Malaysia, 2012). Consequently, the burden of calculation and compliance rests entirely on the individual retirees. Without strategic institutional nudges (Thaler & Sunstein, 2008), there is a high risk of non-compliance and a massive leakage of zakat funds that could otherwise be mobilized for the socio-economic development of the *asnaf* (Ahmed, 2004).

Therefore, this paper aims to critically evaluate the application of zakat on LTAT contributions through the lens of ownership, eligibility conditions, and operational constraints. This study further explores the potential for institutional integration and policy amendments to enable systematic zakat compliance in line with holistic Islamic financial governance (Barizah & Abdul Rahim, 2007; Paizin & Sarif, 2018).

Research Methodology

This paper is based on a research project conducted by a team of researchers from Universiti Pertahanan Nasional Malaysia (UPNM), commissioned by Pusat Pungutan Zakat-MAIWP (PPZ-MAIWP) through its research wing, Akademi Zakat (AZKA). The study explores the obligation and practical implementation of zakat on contributions in the Lembaga Tabung Angkatan Tentera (LTAT), focusing on doctrinal alignment, legal readiness, and institutional mechanisms.

This study used an exploratory qualitative research design (Stebbins, 2001). A mixed-methods approach was not used because the idea of integrating zakat into LTAT is still in its early, conceptual stage. There is currently no baseline quantitative data, such as historical deduction rates or compliance statistics, to measure. Therefore, a qualitative approach is the most effective way to understand the complex legal, Shariah, and institutional challenges before any structural system can be proposed (Creswell & Poth, 2018).

Data was collected using two methods. First, document analysis was conducted on classical fiqh literature and statutory laws, specifically the Armed Forces Fund Act 1973 (Act 101). Second, in-depth, semi-structured interviews were conducted with 14 purposively selected informants. These informants represented three key institutions: LTAT, the Armed Forces Payroll Directorate (UGAT), and the Armed Forces Religious Corps (KAGAT).

To analyze the interview data transparently, a structured thematic coding process was applied. First, open coding was used to identify specific operational issues, such as 'fiduciary limits' and 'delayed access'. Next, these codes were grouped into broader themes guided by the Institutional Work Theory (Lawrence & Suddaby, 2006) to understand how institutions manage religious obligations. To ensure inter-coder reliability and prevent researcher bias, a second researcher independently reviewed a sample of the coded transcripts. Any disagreements were resolved through peer discussion until a clear consensus was reached on the final themes.

Literature Review

Evaluating the obligation of zakat on mandatory retirement savings requires a critical examination of classical Islamic jurisprudence and its application to modern financial architectures. The discourse primarily centres on the intersection of ownership rights, wealth accessibility, and the ethical responsibilities of financial custodians.

Conceptualizing Complete Ownership (Al-Milk Al-Tam) in Modern Finance

The foundational prerequisite for any zakat liability is al-milk al-tām (complete ownership). Classical scholars unanimously assert that to trigger a zakat obligation, an individual must possess both the legal title to the asset and the unfettered physical capacity to dispose of it (tasarruf) (al-Qaradawi, 1999; Ibn Qudamah, 1992). Wealth that is theoretically owned but practically inaccessible falls short of this rigorous criterion.

When applying this legal parameter to the Lembaga Tabung Angkatan Tentera (LTAT) ecosystem, the concept of ownership becomes distinctly bifurcated based on the account structure. Voluntary contributions (caruman sukarela) offer immediate liquidity; contributors can access and manage these funds at their discretion, thereby satisfying the absolute ownership condition seamlessly and rendering the funds annually zakatable once the nisab and haul are met (Kahf, 1989).

Conversely, mandatory contributions, specifically those held in Account 1, are strictly locked by statutory regulations. Military personnel cannot access these principal funds or their accumulated dividends until official retirement, medical discharge, or death. This structural blockade renders the contributor's ownership legally incomplete during their active service years. Consequently, this conditional access triggers a significant jurisprudential debate regarding when, and how, the zakat obligation should be enforced upon wealth that is guaranteed for the future but untouchable in the present (Abdullah & Rosele, 2019).

Competing Jurisprudential Views on Deferred Wealth (Mal Al-Dhimar)

To evaluate mandatory retirement accounts, scholars often draw parallels to the classical concept of mal al-dhimar, wealth that is legally owned but practically inaccessible to the owner. The jurisprudential discourse surrounding such assets reveals a spectrum of competing interpretations that dictate how funds like LTAT should be treated.

On one end of the spectrum, conservative interpretations aligned with the Hanafi and Shafi'i schools argue that absolute physical control is non-negotiable. Scholars such as Ibn Abidin (2010) and al-Zurqani (2002) emphasize that if an individual cannot utilize, invest, or dispose of the wealth, the asset fails the possession test, thus exempting the owner from any immediate zakat liability. Applied to LTAT, this view dictates that mandatory contributions are entirely exempt during the active service period. Zakat only becomes obligatory on the day the funds are physically withdrawn, and no retrospective payment is required for the years the funds were locked.

Conversely, a more progressive interpretation, historically supported by certain Maliki jurists and modernized by scholars like al-Qaradawi (1999), contends that statutory inaccessibility does not sever the fundamental rights of ownership. Unlike wealth that is genuinely lost or stolen, LTAT contributions are contractually guaranteed by the state and accumulate compounding dividends. Therefore, al-Qaradawi (1999) asserts that the moral weight of the obligation persists. Under this framework, once the retiree finally accesses the funds, they are ethically bound to execute qada' (retrospective payment) for all the previous years the wealth was structurally deferred, assuming the nisab threshold was continuously met.

This divergence in fiqh presents a profound operational dilemma for institutional fund managers. Relying strictly on the conservative exemption risks widespread socio-economic leakage, denying asnaf communities' vital resources. However, enforcing the progressive qada' approach places an overwhelming cognitive and administrative burden on individual retirees who lack the financial literacy to trace historical balances over a 20-year service period.

Consequently, this paper adopts a synthesized analytical position: military retirement funds are recognized as structurally deferred wealth that retains its religious binding. Rather than abandoning the obligation to individual interpretation at the end of their service, this deferred status necessitates proactive, systemic intervention from the institution itself to facilitate seamless purification at the point of maturity.

Institutionalizing Zakat in Retirement Schemes: An Analytical Positioning

The transition from theoretical jurisprudence to practical administration highlights a significant structural gap within Malaysia's Islamic financial ecosystem. While statutory entities like LTAT adhere strictly to rigorous fiduciary standards, often discharging their own corporate zakat liabilities, they frequently lack parallel administrative architectures to facilitate the individual religious obligations of their contributors (Ahmed, 2004). This bifurcation between mainstream financial management and Islamic social finance creates systemic inefficiencies. As Barizah and Abdul Rahim (2007) argue, effective zakat governance in a modern economy demands robust inter-agency coordination, integrated data protocols, and harmonized policy directives, rather than relying on fragmented, individual-centric approaches.

Furthermore, depending solely on individual initiative at the point of fund withdrawal ignores the empirical realities of behavioural economics. Retirees receiving substantial lump-sum

disbursements often experience decision fatigue and may lack the technical financial literacy required to accurately compute their zakat liabilities. Without structured institutional "nudges", such as default calculation mechanisms, automated prompts, or integrated advisory services, the default human behavior leans heavily toward procrastination, underpayment, or total omission (Thaler & Sunstein, 2008; Ahmed, 2007).

Analytically, this study positions the operationalization of zakat on LTAT contributions not merely as a theological debate, but as a critical institutional governance challenge. Bridging this compliance gap requires a shift toward structured, decentralized collaboration between fund custodians and state zakat authorities (Paizin & Sarif, 2018). By embedding institutional deduction pathways within the withdrawal process, retirement funds can transform a latent religious mandate into an actionable, seamless mechanism, thereby securing vital socio-economic resources for the asnaf.

Comparative Precedents: Zakat Governance in National Provident Funds

To contextualize the operational constraints within LTAT, it is imperative to examine how other national statutory funds in Malaysia navigate Islamic financial obligations. The Employees Provident Fund (KWSP/EPF) serves as a primary comparative precedent. Historically, EPF faced similar jurisprudential debates regarding the al-milk al-tām status of its mandatory accounts. However, recognizing the massive socio-economic potential of retirement funds, EPF proactively evolved its institutional architecture by introducing the Simpanan Shariah (Shariah Savings) scheme (Kumpulan Wang Simpanan Pekerja, n.d.). This transition was supported by comprehensive fatwa harmonizations at the national level, which clarified the zakatability of EPF withdrawals based on the qada' and current receipt mechanisms (Jabatan Kemajuan Islam Malaysia, 2012; Abdullah & Rosele, 2019).

Unlike EPF, which manages a broader civilian demographic, LTAT operates under the strict, distinct jurisdiction of the Armed Forces Fund Act 1973 (Act 101) (Armed Forces Fund Act 1973). While EPF has successfully embedded Shariah advisory capacities to guide contributors on dividend purification and zakat awareness (Kumpulan Wang Simpanan Pekerja, 2015), LTAT has yet to institutionalize a parallel framework for individual religious compliance. This comparative gap highlights that the barriers to zakat integration in LTAT are not merely theological, but stem from a lack of institutional mimicry and targeted statutory reform within the defence sector's financial administration. Addressing this disparity requires military fund custodians to look toward civilian provident funds as operational benchmarks for integrating Islamic social finance (Ahmed, 2007).

Maqasid al-Shariah and the Socio-Economic Imperative of Wealth Circulation

Beyond the granular jurisprudential debates regarding possession (qabdh) and holding periods (haul), the operationalization of zakat on retirement funds must be evaluated through the macro-lens of Maqasid al-Shariah (the higher objectives of Islamic law). A central tenet of Islamic economic philosophy is the prevention of wealth concentration among the affluent. Zakat functions not merely as an individual spiritual purification mechanism, but as a systemic socio-economic stabilizer designed to ensure the continuous circulation of capital within the broader economy (al-Qaradawi, 1999).

When billions of ringgit are structurally locked within statutory retirement funds like LTAT for decades, it might create a phenomenon of "stagnant liquidity" from a social finance perspective. While the capital is actively invested in equity and corporate markets to generate dividends for

the contributors, the prescribed purification portion (2.5%) remains trapped, inaccessible to the asnaf communities who urgently require it for poverty alleviation and capacity building (Ahmed, 2004). If the legal architecture of LTAT perpetually delays the zakat obligation until the end of a 20-to-25-year military career, it inadvertently subverts the Maqasid al-Shariah by freezing the distributive justice mechanism. Consequently, institutionalizing zakat within such funds is not an administrative overreach, but a necessary alignment of modern statutory pension architectures with the fundamental Islamic objective of equitable socio-economic wealth distribution (A. Pitchay, Abdul Rahman, & Azhar, 2025).

Analysis and Findings

The empirical investigation into the operationalization of zakat within the LTAT ecosystem reveals a multidimensional compliance bottleneck. Through the thematic analysis of interview transcripts and statutory documents, four core operational frictions emerged: divergent stakeholder perceptions, rigid legislative boundaries, fragmented inter-agency synergy, and behavioural constraints among individual contributors.

Thematic Analysis of Stakeholder Perceptions on Zakat Liability

The feasibility of embedding Islamic social finance within secular-leaning retirement architectures relies heavily on the consensus of its administrative stakeholders. The qualitative data revealed a distinct polarization in how zakat liability is perceived across different institutional nodes. Financial administrators and fund managers within the military ecosystem, who operate primarily from a fiduciary and risk-management paradigm, exhibited a highly conservative jurisprudential stance. Their consensus aligned with classical rulings dictating that zakat is strictly inapplicable until the contributor physically withdraws the funds and achieves absolute control (*al-milk al-tām*). From this operational viewpoint, mandatory funds in Account 1 are essentially "dormant" regarding religious liability during the active service period.

Conversely, stakeholders representing the religious authority, specifically officers from Kor Agama Angkatan Tentera (KAGAT), exhibited a more progressive theological interpretation. Drawing upon contemporary Islamic finance principles championed by scholars such as al-Qaradawi (1999), these informants emphasized that the moral obligation of zakat persists despite the statutory lockdown of the funds. Because the capital is contractually guaranteed by the government and continuously generates dividends, the wealth is structurally deferred, not legally voided. However, despite this theological awareness, KAGAT officers acknowledged a critical gap between religious intent and administrative execution, noting their lack of executive authority to enforce these progressive interpretations onto the LTAT payroll architecture.

Statutory Frictions: Navigating the Armed Forces Fund Act 1973

The most formidable structural barrier identified in this study is the rigid legislative framework governing military pensions. Document analysis confirmed that the Armed Forces Fund Act 1973 (Act 101) acts as a statutory bottleneck against automatic or pre-emptive zakat integration. Specifically, Section 13 of the Act stipulates an uncompromising mandate: all disbursements from the fund must be channelled directly and exclusively to the contributor or their legally designated heirs (Armed Forces Fund Act 1973).

This specific statutory provision strictly prohibits LTAT from executing any form of unauthorized third-party deduction, regardless of the socio-economic nobility of the intent. From a corporate governance perspective, unilateral diversion of funds to state zakat institutions without explicit legislative permission would constitute a severe breach of fiduciary duty.

Interestingly, this legal constraint inadvertently mirrors specific Shariah prerequisites regarding the validity of the zakat transaction itself. Islamic jurisprudence requires the presence of *niyyah* (intention) and *qabd* (possession) by the wealth owner to validate an act of worship (*ibadah māliyah*). As highlighted by classical jurists such as al-Kasani (2003) and al-Nawawi (1925), any proxy transfer of wealth requires clear, documented authorization (*wakalah*). Therefore, implementing a blanket automatic deduction policy without first amending Act 101 to legally recognize documented proxy consent would fail to satisfy both Malaysian federal law and fundamental Islamic jurisprudential standards.

Fragmented Institutional Synergy and Role Ambiguity

Beyond statutory limitations, the thematic analysis highlighted a severe fragmentation in institutional synergy. Effective zakat governance in a modern economic state requires a seamless operational nexus between fund custodians, religious advisors, and statutory collection agencies (Barizah & Abdul Rahim, 2007). However, the military retirement ecosystem currently operates within isolated administrative silos.

LTAT functions strictly as a fiduciary entity focused on wealth accumulation, dividend generation, and secure disbursement. Its internal architecture currently lacks a dedicated Shariah advisory committee to navigate the complexities of individual religious deductions, concentrating instead on corporate-level zakat compliance. Simultaneously, while KAGAT possesses the theological authority and grassroots influence among military personnel, its role remains fundamentally advisory. KAGAT officers lack the technical integration and executive mandate required to embed zakat deduction mechanisms directly into the withdrawal infrastructure.

Furthermore, state zakat institutions, the legally authorized collection bodies, remain disconnected from this specific ecosystem. Unlike the highly integrated monthly salary deductions utilized across standard government sectors, there are no existing Memoranda of Understanding (MoUs) or synchronized data-sharing protocols between LTAT and state zakat institutions. Consequently, retirees are left to navigate complex post-service wealth purification in an institutional vacuum.

Behavioral Dimensions and Contributor Awareness Gaps

The final theme extracted from the empirical data revolves around the behavioural disposition and financial literacy of the contributors themselves. While zakat is a recognized religious pillar, actual compliance is heavily influenced by administrative convenience and institutional nudging (Thaler & Sunstein, 2008; Ahmed, 2007).

The qualitative data revealed a pervasive knowledge gap among military personnel regarding the zakatability of their retirement funds. Many contributors operate under the misconception that post-retirement lump sums are entirely exempt, or they lack the technical capability to separate the principal amount from employer contributions and accumulated dividends for accurate zakat calculation. This confusion is exacerbated by the absence of embedded financial counselling or structured calculators during the actual LTAT withdrawal process.

From a behavioural economics standpoint, when retirees receive these substantial, aggregated funds, they often experience cognitive overload and decision fatigue. Without default calculation mechanisms or accessible remittance pathways integrated into the LTAT dashboard, the psychological burden of manual compliance is immense. As a result, the default behavioural

response leans toward procrastination, underpayment, or complete omission. This empirical reality underscores that depending purely on voluntary, unassisted individual compliance is a highly ineffective strategy for mobilizing Islamic social finance.

Status Quo Bias and the Psychological Toll of Manual Compliance

Further thematic analysis of the behavioural constraints revealed a pervasive psychological phenomenon known as the "status quo bias" (Thaler & Sunstein, 2008). In the absence of an automated deduction pathway (such as the wakalah model), military personnel are forced to manually disrupt their financial status quo upon retirement to fulfil their religious obligations. The data indicated that when retirees are presented with a massive, aggregated lump sum, their immediate psychological priority shifts toward debt settlement, housing loans, and securing post-service civilian livelihoods.

The cognitive dissonance experienced when attempting to voluntarily part with a significant portion of their newly acquired, long-awaited wealth is substantial. This reluctance is not inherently rooted in a rejection of the religious obligation, but rather in the overwhelming administrative friction required to execute it. Informants from KAGAT observed that many retirees express profound anxiety regarding the complex calculation of retrospective zakat (qada'). The sheer difficulty of tracing historical dividend rates and differentiating between self-contributed capital and government-matched portions acts as a paralyzing deterrent. Consequently, the institutional failure to provide seamless, embedded digital calculators or automated deduction triggers directly results in widespread voluntary omission. This strongly correlates with Ahmed's (2007) assertion that in modern complex financial systems, the facilitation of Islamic philanthropy must rely on institutional automation rather than individual moral stamina.

Proposed Operational Models for Zakat Integration

To overcome the structural, legislative, and behavioural barriers identified in this study, it is imperative to transition from passive observation to proactive institutional design. A "one-size-fits-all" approach is inadequate given the tiered accessibility of LTAT accounts. Therefore, this study proposes four distinct operational frameworks. Each model presents varying degrees of administrative complexity, legislative requirements, and Shariah compliance, offering policymakers a phased blueprint for zakat integration.

Model 1: Point-of-Withdrawal Settlement

The first proposed framework is the Point-of-Withdrawal Settlement model, which assesses zakat liability instantaneously upon the physical disbursement of the retirement lump sum. This model aligns closely with the conservative jurisprudential perspective, which posits that a new haul (holding period) or the realization of accessible possession triggers the immediate religious obligation (Ibn Qudamah, 1992). Under this framework, the historical accumulation period during active service is mathematically disregarded. Instead, the retiree is assessed a flat 2.5% deduction exclusively on the eligible withdrawn amount at the moment it enters their physical bank account.

Operationally, this model requires minimal disruption to the existing Armed Forces Fund Act 1973. Because the deduction happens after or exactly at the point of disbursement, LTAT's fiduciary boundaries remain unviolated. To implement this, state zakat institutions would need to collaborate with LTAT to establish physical advisory kiosks at military discharge centres or integrate immediate digital prompts within the retiree's exit documentation. While

administratively feasible, the primary vulnerability of this model is its heavy reliance on the instantaneous willingness of the retiree. If the individual bypasses the prompt, the opportunity for structured institutional collection is lost.

Model 2: Periodic Assessment for Liquid Accounts

The second framework is exclusively tailored for voluntary LTAT contributions (caruman sukarela). Unlike the mandatory components locked in Account 1, voluntary savings remain fully accessible, granting the contributor absolute *tasarruf* (right of disposal) at any given time. Consequently, the jurisprudential ambiguity surrounding *al-milk al-tām* is voided, and these funds must be treated analogously to standard Islamic banking savings accounts (Kahf, 1989).

The operationalization of Model 2 requires LTAT to introduce periodic assessment tools. Since the funds are highly liquid, contributors should be institutionally nudged to conduct an annual zakat calculation based on the lowest balance held over the lunar year, provided it meets the *nisab* threshold. LTAT can facilitate this by embedding specific digital zakat calculators directly into the contributor's mobile application or member portal, accompanied by automated annual push notifications. This model mirrors the successful, seamless deductions seen in institutions like Tabung Haji, optimizing compliance through digital convenience.

Model 3: Retrospective Moral Compliance (Qada')

The third framework, the Retrospective Moral Compliance or Qada' model, is rooted in the progressive ethical interpretations of contemporary scholars like al-Qaradawi (1999). This model operates on the principle that mandatory funds are merely structurally deferred, not legally orphaned. Therefore, upon reaching retirement and accessing the lump sum, the contributor is religiously bound to calculate and remit zakat retroactively for every previous year the locked funds met the *nisab* threshold.

While this model represents the pinnacle of ethical Shariah compliance, its practical operationalization is extraordinarily complex. Tracing historical dividend payouts, applying fluctuating annual *nisab* rates, and segregating employer contributions across a 20-to-25-year military career presents an overwhelming cognitive burden. From a behavioural perspective, imposing such a monumental calculation at the point of retirement will almost certainly trigger decision fatigue and severe procrastination (Thaler & Sunstein, 2008). Therefore, if implemented, this model cannot be automated; it must be offered as a highly specialized, voluntary pathway requiring deep, one-on-one consultation with certified state zakat advisors.

Model 4: Wakalah-Driven System Integration

The fourth and most robust long-term framework is the Wakalah-Driven System Integration model. This approach proposes a formalized, opt-in automated deduction system that intercepts the funds before they reach the retiree's external accounts. To bypass the restrictive covenants of Act 101, this model utilizes the classical Islamic contract of *wakalah* (agency) (al-Kasani, 2003; al-Nawawi, 1925). By signing a standardized consent form months prior to their official retirement date, the contributor officially appoints LTAT as their proxy agent. This legal delegation authorizes LTAT to automatically compute and directly remit the 2.5% zakat portion to the respective state zakat authority upon fund maturity.

This model is the ultimate antidote to both the legal blockades and the behavioural inertia identified in the qualitative findings. It removes the cognitive burden from the retiree and guarantees high compliance rates through systemic automation (Ahmed, 2007). However,

executing this model demands profound institutional disruption. It requires the forging of official MoUs for data-sharing between the Ministry of Defence, LTAT, and state zakat councils, alongside vital legislative amendments to Act 101 to explicitly recognize and protect LTAT when executing religious agency instructions.

Table 1: Comparative Analysis of Zakat Deduction Frameworks for LTAT Contributors

Implementation Model	Payment Timing	Jurisprudential Foundation	Administrative Feasibility
Post-Withdrawal Settlement	At point of disbursement	Mainstream Shariah consensus	Excellent
Yearly Assessment for Liquid Accounts	Annually (liquidity-based)	Universal agreement	Highly feasible
Retrospective Accumulation (Qada')	Backdated upon fund receipt	Robust moral duty	Complex / Difficult
Wakalah-Driven System Integration	Instant (consent-driven)	Legally sound via delegation	Moderate to High

Source: Developed for this study (2026)

Conclusion and Recommendations

The integration of zakat mechanisms within the Lembaga Tabung Angkatan Tentera (LTAT) represents a critical evolutionary step for Malaysia's Islamic social finance ecosystem. This exploratory study has demonstrated that while the foundational principles of wealth purification are universally accepted, their practical application to military retirement funds is severely hindered by overlapping jurisprudential ambiguities, rigid statutory boundaries, and fragmented institutional governance.

By analytically framing mandatory LTAT contributions as "structurally deferred wealth," this paper argues that the religious obligation does not evaporate during the active service period; rather, it is practically postponed. Consequently, relying exclusively on individual retirees to manually calculate and remit zakat at the point of fund withdrawal is an empirically flawed strategy. Driven by decision fatigue, complex historical calculations, and a lack of integrated digital prompts, individual-centric compliance inevitably leads to massive socio-economic leakage, denying vital resources to the asnaf communities (Ahmed, 2004; Thaler & Sunstein, 2008).

To resolve this institutional void, a systemic and proactive approach is required. Based on the qualitative findings, this study proposes the following strategic recommendations to operationalize zakat effectively:

- 1. Prioritize Wakalah-Driven System Integration:** Stakeholders must pivot towards establishing an opt-in, automated deduction system. Utilizing the Shariah contract of wakalah (agency), contributors should be allowed to pre-authorize LTAT to deduct the 2.5% zakat portion immediately upon fund maturity, ensuring seamless compliance without burdening the retiree.

2. **Establish Inter-Agency Synergies (MoUs):** State zakat authorities must proactively bridge the current administrative silos by initiating formal Memoranda of Understanding (MoUs) with LTAT and the Armed Forces Payroll Directorate (UGAT). These agreements are essential to facilitate secure data-sharing protocols and integrate digital zakat calculators directly into military retirement dashboards.
3. **Pursue Targeted Statutory Reform:** To protect fund custodians from fiduciary breaches, policymakers must advocate for targeted amendments to the Armed Forces Fund Act 1973 (Act 101). Specifically, the act should be updated to legally permit third-party religious deductions explicitly authorized by the contributor.
4. **Harmonize National Fatwas:** State-level Shariah committees must work collaboratively through the National Council for Islamic Religious Affairs (MKI) to issue a standardized, harmonized fatwa specifically addressing military retirement funds, thereby eliminating jurisprudential confusion among contributors (Jabatan Kemajuan Islam Malaysia, 2012).

Ultimately, operationalizing zakat within LTAT provides a blueprint for embedding Islamic financial ethics into secular statutory bodies. If successfully implemented, this framework can serve as a replicable benchmark for other national provident funds, driving a more holistic, institutionally supported Islamic economy.

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