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Reimagining Fiscal Policy in Indonesia: Integrating Islamic Fiscal Instruments for Equitable and Sustainable Public Finance

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Abstract:
This study examines the implementation of fiscal policy in Indonesia from the perspective of Islamic economics. The discussion is motivated by the persistent structural pressure on the state budget: the 2024 budget closed with a deficit of IDR 507.8 trillion, equivalent to 2.29 percent of gross domestic product, while the tax ratio fell to 10.08 percent, the lowest among comparable economies in the region, and outstanding central government debt reached IDR 9,637.9 trillion by the end of 2025. At the same time, the redistributive capacity of the existing fiscal system remains limited, as indicated by a Gini ratio of 0.375 in March 2025, and the national zakat potential of IDR 327 trillion is largely untapped, with actual collection of only around IDR 41 trillion. This research applies a qualitative approach using library research, drawing on academic books, scholarly articles, statutory documents, and official government publications, which are then examined through content analysis. The findings show that fiscal policy in Islamic economics rests on the principles of justice, efficiency, and public benefit, as demonstrated during the era of the Prophet Muhammad and the Rightly Guided Caliphs, when expenditure was calibrated to actual revenue and administered through the baitul mal. In Indonesia, several Islamic fiscal instruments have been partially absorbed into the national system, most notably zakat as a deduction from taxable income, yet regulatory ambiguity and weak inter-institutional coordination persist. The study recommends

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strengthening the synergy between zakat and taxation and formulating fiscal policy grounded in Islamic values more systematically.
Keywords: Fiscal Policy; Islamic Economics; Zakat; State Budget; Baitul Mal

Abstrak:
Penelitian ini bertujuan untuk mengkaji implementasi kebijakan fiskal di Indonesia dalam perspektif ekonomi Islam. Permasalahan yang diangkat berangkat dari tekanan struktural yang dihadapi Anggaran Pendapatan dan Belanja Negara (APBN), di mana pada tahun anggaran 2024 APBN mengalami defisit sebesar Rp507,8 triliun atau setara dengan 2,29 persen dari Produk Domestik Bruto (PDB). Selain itu, rasio pajak (tax ratio) menurun menjadi 10,08 persen, yang merupakan tingkat terendah dibandingkan negara-negara sebanding di kawasan, sementara utang pemerintah pusat mencapai Rp9.637,9 triliun pada akhir tahun 2025. Pada saat yang sama, kapasitas redistribusi sistem fiskal masih relatif terbatas, sebagaimana tercermin dari rasio Gini sebesar 0,375 pada Maret 2025. Di sisi lain, potensi zakat nasional yang diperkirakan mencapai Rp327 triliun baru terealisasi sekitar Rp41 triliun. Penelitian ini menggunakan pendekatan kualitatif dengan metode studi kepustakaan (library research). Data diperoleh dari berbagai sumber literatur, meliputi buku, artikel jurnal ilmiah, peraturan perundang-undangan, serta dokumen resmi pemerintah, yang selanjutnya dianalisis menggunakan teknik analisis isi (content analysis). Hasil penelitian menunjukkan bahwa kebijakan fiskal dalam ekonomi Islam menekankan prinsip keadilan, efisiensi, dan kemaslahatan umum sebagaimana dipraktikkan pada masa Rasulullah SAW dan Khulafaur Rasyidin, ketika belanja negara disesuaikan dengan penerimaan yang tersedia dan dikelola melalui institusi Baitul Mal. Dalam konteks Indonesia, beberapa instrumen fiskal Islam, seperti zakat dan perpajakan berbasis syariah, telah mulai diintegrasikan ke dalam sistem fiskal nasional. Namun, implementasinya masih menghadapi berbagai tantangan, terutama terkait regulasi dan koordinasi antar lembaga. Oleh karena itu, penelitian ini merekomendasikan penguatan sinergi antara sistem zakat dan perpajakan, serta perumusan kebijakan fiskal yang lebih sistematis dengan berlandaskan nilai-nilai ekonomi Islam.

Kata Kunci: Kebijakan Fiskal; Instrumen Fiskal; Ekonomi Islam; Zakat; Anggaran Pendapatan dan Belanja Negara (APBN).

Introduction

Fiscal policy plays a highly significant role as the government's principal instrument for directing and stabilising the economy. In general terms, fiscal policy encompasses all government actions that determine the level of state revenue and expenditure through the budget mechanism.[1] In Indonesia, this policy is embodied in the enactment of the State Revenue and Expenditure Budget (APBN) in order to achieve macroeconomic objectives such as economic growth, price stability, income distribution, and job creation.

Nevertheless, the practice of national fiscal management displays recurring symptoms of structural pressure. The 2024 budget outturn recorded state revenue of IDR 2,842.5 trillion against state expenditure of IDR 3,350.3 trillion, so that the budget closed with a deficit of IDR 507.8 trillion, equivalent to 2.29 percent of Gross Domestic Product (GDP).[2] This deficit is not an isolated event but a persistent pattern. Over the 2020–2024 period, the accumulated budget deficit exceeded IDR 3,192 trillion, or an average of IDR 638 trillion per year.[3]

Pressure on the revenue side reinforces this pattern. The ratio of tax revenue to GDP (*tax ratio*) in Indonesia stood at only 10.08 percent in 2024, down from 10.31 percent in 2023. According to the updated *World Revenue Longitudinal Database*, this figure is the lowest among comparable countries in the region, namely Thailand (15.95 percent), the Philippines (15.36 percent), Vietnam (12.96 percent), and Malaysia (12.47 percent).[4] A further consequence is evident in the

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[1]Kementerian Keuangan Republik Indonesia, "APBN: Instrumen Kunci Menjaga Stabilitas dan Mendukung Pertumbuhan," Direktorat Jenderal Perbendaharaan, accessed April 15, 2025, https://djpb.kemenkeu.go.id/kppn/watampone/id/data-publikasi/309-artikel/3764-apbn-instrumen-kunci-menjaga-stabilitas-dan-mendukung-pertumbuhan.html.

[2]"Defisit APBN 2024 Capai Rp507,8 Triliun, 2,29 Persen dari PDB," *Kompas.com*, January 6, 2025, https://money.kompas.com/read/2025/01/06/131338226/defisit-apbn-2024-capai-rp-5078-triliun-229-persen-dari-pdb.

[3]"Tax Ratio Indonesia Anjlok ke Level 10,07 Persen PDB pada 2024," *Pajak.com*, February 28, 2025, https://www.pajak.com/pajak/tax-ratio-indonesia-anjlok-ke-level-1007-persen-pdb-pada-2024/.

[4]"Tax Ratio Indonesia Terendah Dibandingkan Negara-Negara Se-Level, Ini Rinciannya," *Bisnis.com*, March 8, 2026, https://ekonomi.bisnis.com/read/20260308/259/1958700/tax-ratio-indonesia-terendah-dibandingkan-negara-negara-se-level-ini-rinciannya.

reliance on debt financing: the outstanding debt of the central government as of 31 December 2025 was recorded at IDR 9,637.90 trillion, or 40.46 percent of GDP, up from 39.81 percent in 2024.[5] This situation indicates a narrowing of fiscal space and, at the same time, the need for an approach that is not merely pragmatic but also rests on a strong moral and ethical foundation.[6]

The second issue lies in the distribution function. Although taxation instruments and transfer spending have long been in place, inequality in household expenditure has not changed appreciably. Statistics Indonesia (BPS) recorded a national Gini ratio of 0.375 in March 2025, while the number of people living in poverty remained at 23.85 million.[7] This fact demonstrates that the redistributive capacity of the conventional fiscal system is still limited and opens room for the search for complementary instruments oriented more strongly towards equity.

It is in this context that Islamic economics offers an alternative paradigm for fiscal policy management, one that emphasises the principles of justice, the blessing of wealth, transparency, and an orientation towards the common good (*maslahah 'ammah*).[8] *Baitul mal* is an example of a financial management institution from the era of the Prophet Muhammad (peace be upon him) that administered the revenue and expenditure required for the operation of government. Islamic economics recognises not only taxation as a source of state revenue, but also zakat, *kharaj*, *jizyah*, and infak as fiscal instruments

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[5]"Posisi Utang Pemerintah Indonesia Tembus Rp9.637 Triliun, Rasio terhadap PDB 40,46%," *Kontan.co.id*, February 13, 2026, https://nasional.kontan.co.id/news/posisi-utang-pemerintah-indonesia-tembus-rp-9637-triliun-rasio-terhadap-pdb-4046.

[6]A. Budiawan, "Defisit Anggaran Indonesia: Tantangan dan Kebijakan yang Dipertanyakan," *Kupas Merdeka*, March 2025, https://www.kupasmerdeka.com/2025/03/defisit-anggaran-indonesia-tantangan-dan-kebijakan-yang-dipertanyakan/.

[7]Badan Pusat Statistik, "Gini Ratio Maret 2025 Tercatat Sebesar 0,375," *Berita Resmi Statistik*, July 25, 2025, https://www.bps.go.id/id/pressrelease/2025/07/25/2519/gini-ratio-maret-2025-tercatat-sebesar-0-375.html.

[8]Andika Hasan, Rheiva Syahra Sovialencia, Popy Widya Wulandari, Nuril Fatimah Zahro, "Kebijakan Fiskal dalam Ekonomi Islam," *Mutiara: Multidiciplinary Scientific Journal* 3, no. 2 (2025), https://doi.org/10.32694/qst.v17i2.798.

that rest on a firm basis in the sharia and are intended to ensure a more equitable distribution of wealth within society.

The potential of these instruments in Indonesia is considerable, yet it remains far from fully realised. The National Board of Zakat (BAZNAS) estimates the national zakat potential at IDR 327 trillion per year, whereas the national collection of zakat, infak, and sedekah has reached only around IDR 41 trillion, or about 12.5 percent of the existing potential.[9] The gap of more than IDR 280 trillion is roughly equivalent to half the value of the 2024 budget deficit. Although zakat is not state revenue in the sense used in the APBN, optimising its collection has the potential to strengthen national social financing capacity while easing the pressure on social protection spending.

As the country with the largest Muslim population in the world, Indonesia therefore has a substantial opportunity to develop fiscal policy grounded in Islamic principles. Although the fiscal system currently in force remains predominantly conventional in approach, a number of aspects of the Islamic fiscal system have begun to be accommodated, such as the recognition of zakat as a deduction from taxable income under the taxation laws.[10] This indicates an opening for integrating Islamic fiscal instruments into the national budget system in a more comprehensive and systematic manner.[11]

In light of the foregoing, a study of fiscal policy from the perspective of Islamic economics is important in order to contribute relevant and applicable ideas towards realising socio-economic justice in line with Islamic values. This study aims to explain the concept and characteristics of fiscal policy in Islamic economics, to examine the extent to which its instruments have been implemented within the Indonesian fiscal system, and to identify the accompanying challenges. The study is expected to serve as a basis for consideration in

[9]Badan Amil Zakat Nasional, "Potensi Zakat untuk Indonesia Emas: BAZNAS Targetkan Rp327 Triliun per Tahun," November 1, 2024, https://kabsidoarjo.baznas.go.id/news-show/BAZNASRI/11264.

[10]S. Z. Hasan, "Integrasi Zakat sebagai Reformulasi Kebijakan Fiskal Indonesia Berbasis Syariah dengan Prinsip Ekonomi Islam," *Journal of Economic Business & Law Review* (2024), https://doi.org/10.19184/jeblr.

[11]Kementerian Keuangan Republik Indonesia, "Zakat Bisa Jadi Pengurang Pajak," https://stats.pajak.go.id/id/artikel/zakat-bisa-jadi-pengurang-pajak.

reformulating Indonesian fiscal policy so that it becomes more inclusive, more just, and more oriented towards the welfare of the community.

Methods

This study employs a qualitative approach using the library research method (*library research*). The object of study is Indonesian fiscal policy examined from the perspective of Islamic economics. The data are drawn from secondary literature in the form of academic books, scholarly journal articles, statutory documents, official publications of government institutions, and statistical data published by the Ministry of Finance, Statistics Indonesia, and BAZNAS. Sources were selected on the basis of relevance, credibility, and currency.

The data analysis technique used is content analysis (*content analysis*), namely identifying, classifying, and interpreting information from a variety of references in order to obtain a comprehensive understanding of the concept and implementation of fiscal policy within the framework of Islamic economics. The analytical procedure was carried out in three stages: data reduction through the filtering of literature relevant to the focus of the study, data presentation in the form of thematic categories, and the drawing of conclusions. The validity of the data was maintained through source triangulation, that is, by comparing findings from the academic literature with regulatory documents and official government data.

Result and Discussion

The Concept and Instruments of Fiscal Policy

Fiscal policy is a strategic measure applied by the government to manage the national economy through the regulation of expenditure and revenue, such as taxation. It encompasses government efforts to reform the tax system and the pattern of state spending in order to address a variety of economic challenges.[12] The instruments of fiscal

[12]Sadono Sukirno, *Makroekonomi: Teori Pengantar* (Jakarta: RajaGrafindo Persada, 2006).

policy are closely tied to the management of the resources contained in the APBN in order to drive improvement in the national economy.

This policy rests on the reality that the economy is not always in an optimal condition, so that control instruments capable of bringing it closer to the ideal state are required. In the Indonesian context, such management is realised through the APBN in combination with fiscal policy, with the aim of creating economic stability, expanding employment opportunities, and keeping market prices stable. From the Keynesian and New Keynesian perspectives, fiscal policy affects aggregate demand in the short run, while in the long run it influences investment, saving, and economic growth.

In addition, fiscal policy aims to increase state revenue in support of public welfare through adjustments to government receipts and expenditure. It also supports fiscal decentralisation in order to strengthen regional autonomy, reduce fiscal disparities between regions, and improve the quality of public services. Its principal focus is on addressing the priority issues of national development.

Fiscal policy may be divided into three main categories.[13] *First*, government spending, which covers expenditure on the construction of public facilities such as roads, schools, and military equipment; this component forms part of national income and is denoted by "G". *Second*, taxation, namely the principal source of state revenue, which is continually updated through tax reform in order to keep pace with developments in society. *Third*, transfer payments, which involve social benefits such as pensions and unemployment compensation; although they form part of government spending, these transfers are not counted in GDP because they are not directly related to the production of goods or services.

The principal functions of fiscal policy comprise three elements. The allocation function serves to ensure the effective use of resources in the provision of public goods. The distribution function aims to create an even distribution of income within society. The stabilisation function maintains economic stability through the

[13]Nofrianto, A. Ibrahim, E. A. Kholis, S. A. Utami, *Pengantar Ekonomi Syariah* (Jakarta: Departemen Ekonomi dan Keuangan Syariah, Bank Indonesia, 2021).

creation of employment opportunities, stable price levels, and sustainable growth.[14]

Taken as a whole, fiscal policy aims to maximise resources in order to generate investment that benefits all parties. Its main focus is on driving GDP and economic growth that is equitable, sustainable, and optimal. At the same time, economic growth contributes to increased state revenue from taxation and foreign exchange. In more specific terms, fiscal policy is directed towards providing broad employment opportunities, increasing investment, realising economic justice, distributing income more evenly, maintaining national economic stability, and promoting economic growth.

In practice, fiscal policy is implemented through budget management, which is generally divided into three types: a surplus budget, when state revenue exceeds expenditure; a balanced budget, when state revenue and expenditure are equal; and a deficit budget, when state expenditure exceeds revenue. Each country adjusts its budget policy in accordance with its circumstances and its short-term and long-term objectives.

The Implementation of Fiscal Policy in Indonesia

In the Indonesian context, the Minister of Finance acts as an assistant to the President, serving as fiscal manager and representing the government in the conduct of state financial management, which falls within the authority of the head of state. The Minister of Finance holds a number of principal duties, including designing fiscal policy and the macroeconomic framework, preparing the draft APBN and its amendments, ratifying budget implementation documents, entering into international agreements in the field of finance, collecting state revenue on the basis of legislation, performing the function of state general treasurer, preparing financial reports on the implementation of the APBN, and carrying out other duties in fiscal management as provided by law. Fiscal management covers a range of functions such as the formulation of fiscal policy, management of the macroeconomic

[14]Soediyono, *Ekonomi Makro* (Yogyakarta: Liberty, 1992).

framework, budgeting, tax administration, customs administration, treasury, and financial supervision.[15]

The APBN is prepared through stages involving various parties, including the central government, the House of Representatives (DPR), and other related institutions. The process begins with initial planning through the Government Work Plan (RKP), which forms the basis for determining national development priorities. The Ministry of Finance then prepares the Financial Note, which sets out the plan for state revenue and expenditure as well as fiscal policy. The draft is subsequently discussed between the government and the DPR, particularly in Commission XI, before finally being enacted as the APBN Law in a plenary session. Once enacted, the APBN is implemented in accordance with the applicable provisions and is supervised by the Audit Board of Indonesia (BPK). At the end of the fiscal year, an evaluation is carried out through financial reports audited by the BPK and submitted to the DPR.

Fiscal policy is the government's principal instrument for managing the economy through the APBN, with a focus on three main functions: allocation, distribution, and stabilisation. The allocation function aims to reduce unemployment and improve economic efficiency, the distribution function ensures fairness and equity, while the stabilisation function maintains macroeconomic balance. Fiscal policy involves several terms such as fiscal capacity (the state's ability to finance expenditure), fiscal need (the total expenditure required), and the fiscal gap (the difference between fiscal need and fiscal capacity).[16]

Within the APBN, the budget system has shifted from a dynamic balanced budget towards a surplus or deficit budget system in accordance with the state's financing requirements. Fiscal policy in Indonesia frequently encounters deficits because of the high level of expenditure needed to drive economic growth while state revenue

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[15]Purwiyanto, *Dasar-Dasar Praktek Penyusunan APBN di Indonesia* (Jakarta: Direktorat Penyusunan APBN, Direktorat Jenderal Anggaran, Kementerian Keuangan, 2013).

[16]Purwiyanto, *Dasar-Dasar Praktek Penyusunan APBN di Indonesia*.

remains insufficient. The 2024 budget outturn confirms this: tax revenue collected amounted to only IDR 1,932.4 trillion, or 97.2 percent of the initial target of IDR 1,988.9 trillion, resulting in a revenue *shortfall* that had to be covered through financing.[17] The primary priority of fiscal policy is therefore to address the APBN deficit and to maintain macroeconomic stability.[18]

The structure of the APBN comprises State Revenue and Grants, State Expenditure, the Primary Balance, the Budget Surplus/Deficit, and Financing.[19] Basic macroeconomic assumptions, such as economic growth, inflation, the exchange rate, and world oil prices, exert a strong influence on these components. The posture of the APBN is constructed on the basis of these economic parameters, using either a balanced budget (*balanced budget*) or an expansionary (deficit) approach. State revenue, state expenditure, and financing are the key components, and they are affected by a variety of factors, including macroeconomic indicators, fiscal policy, and domestic and global risks.

Fiscal Policy in the Era of the Prophet Muhammad (peace be upon him)

Fiscal policy from the perspective of Islamic economics needs to be analysed using a contemporary approach, given the significant differences between conditions in the era of the Prophet Muhammad (peace be upon him) and the modern situation. The complexity of the problems in the two eras clearly differs, so that prudence is required in discussing fiscal policy within the framework of Islamic economics in Indonesia.

In the era of the Prophet Muhammad (peace be upon him) and his companions, fiscal policy was *income-oriented*, that is, it focused on the management of revenue, which was then allocated to state

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[18]*Undang-Undang Republik Indonesia Nomor 17 Tahun 2003 tentang Keuangan Negara*.

[19]Minarni, *Falsifikasi Kebijakan Fiskal di Indonesia Perspektif Islam: Menemukan Relevansi Pemikiran Ibnu Taimiyah tentang Keuangan Publik sebagai Potret Khazanah Kebijakan Fiskal Periode Klasik Islam* (Yogyakarta: Graha Ilmu, 2015).

expenditure in accordance with the budget policy that had been established. By contrast, modern fiscal policy tends to be *growth-oriented*, setting economic growth targets that frequently give rise to budget deficits when revenue is insufficient to meet spending needs, one solution to which is borrowing.

Several important features of fiscal policy in the early period of Islamic government may be described as follows.

1. Increasing national income and labour force participation. The Prophet Muhammad (peace be upon him) encouraged the intensification of community development through Muslim brotherhood between the Muhajirin and the Ansar (*ukhuwwah Islamiyah*).[20] This brotherhood created employment opportunities, particularly for the Muhajirin, through contracts such as *muzara'ah*, *musaqah*, and *mudarabah*. This policy produced a sound distribution of income and increased aggregate demand in Medina.
2. Tax policy. The Prophet Muhammad (peace be upon him) applied various types of levies such as *kharaj*, *jizyah*, *khums*, and zakat. This policy helped to maintain price stability, reduce inflation, and increase aggregate income and output without disturbing either price stability or the level of production.
3. Budget preparation. The management of the state budget in the era of the Prophet Muhammad (peace be upon him) was focused on expenditure that served the public interest, such as the construction of infrastructure. Budget policy was conducted carefully, effectively, and efficiently, so that budget deficits rarely occurred, even amid challenges such as warfare.
4. Special fiscal policies. In particular situations, the Prophet Muhammad (peace be upon him) applied fiscal policies based on solidarity and mutual support, including:
   - providing voluntary assistance to Muslims in need;

[20] I. H. Karbila, A. Helim, R. Rofii, "Kebijakan Fiskal pada Masa Rasulullah dan Sekarang," *AL-Muqayyad* 3, no. 2 (2020), https://doi.org/10.46963/jam.v3i2.283.

- borrowing equipment from non-Muslims free of charge, with a guarantee of return and compensation in the event of damage;
- extending loans to new converts; and
- applying incentives to increase production and labour force participation and to sustain the spending of Muslims.

These approaches show how fiscal policy in the era of the Prophet Muhammad (peace be upon him) was grounded in the principles of justice, efficiency, and social sustainability.[21]

The Characteristics of Fiscal Policy in Islamic Economics

The characteristics of fiscal policy within the Islamic economic system encompass several principal aspects.[22] *First*, expenditure is based on revenue. State expenditure is adjusted to the revenue available, so that budget deficits rarely occur. *Second*, the tax system is proportional. Taxation in Islamic economics is imposed on the basis of the level of productivity; an example is *kharaj*, the amount of which is determined by the fertility of the land, the irrigation method used, and the type of crop planted. *Third*, the calculation of zakat is profit-based. Zakat is calculated on the basis of the profit obtained rather than the quantity of goods, so that trade zakat, which is levied on profit, does not impose an additional burden on production costs.[23]

From the prophetic era through to the period of the caliphates, fiscal policy was carried out with the *baitul mal* serving as the institution responsible for managing wealth.[24] History records the economic success of Islam as a result of the application of this fiscal policy, from the earliest period of Islam through to the height of its

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[21]Adiwarman A. Karim, *Ekonomi Makro Islami* (Jakarta: RajaGrafindo Persada, 2007).

[22]U. S. Satria Ilham, "Teori Kebijakan Fiskal dalam Ekonomi Islam," *Ar-Rihlah: Jurnal Keuangan dan Perbankan Syariah* 4, no. 2 (2024), https://doi.org/10.37202/kmmr.2024.29.2.1.

[23]Rozalinda, *Ekonomi Islam: Teori dan Aplikasinya pada Aktivitas Ekonomi* (Jakarta: RajaGrafindo Persada, 2014).

[24]M. Oktaviana, S. B. Harahap, "Kebijakan Fiskal Zaman Rasulullah dan Khulafaurrasyidin," *Nazharat: Jurnal Kebudayaan* 26, no. 1 (2020), https://doi.org/10.30631/nazharat.v26i01.29.

golden age in the medieval era. After that period, however, decline in Islamic governance caused Islamic fiscal policy gradually to be abandoned and replaced by the fiscal policy of the conventional economic system that is more widely used today.

The Implementation of Zakat and Islamic Fiscal Instruments in Indonesia

In the Indonesian context, as a country with a Muslim-majority population that is nonetheless founded on Pancasila, which allows the teachings of Islam to serve as one of the sources of national law, it is not excessive for several instruments of Islamic fiscal policy to be applied within national fiscal policy. As a religion that is *rahmatan lil 'alamin*, Islam has a flexible character (*shalihun likulli zaman wa likulli makan*), so that the fiscal policy of the early Islamic period can be reformulated in accordance with the legal order and the culture of Indonesian society.

Some sources of state revenue in Islam, such as *al-ghanimah*, are indeed no longer relevant for application in Indonesia, but other instruments still hold the possibility of adaptation. One example is *usyur*, a protective levy imposed on importers. Within the Islamic system, the amount of the levy differed between Muslims and non-Muslims because Muslims had already paid zakat. In Indonesia, *usyur* may be regarded as comparable to Value Added Tax (PPN), which is imposed on goods and services at every stage of the production and distribution process, including imported goods. The similarity lies in the purpose of both, namely to protect domestic trade.[25]

Another example is *kharaj*, which resembles the Land and Building Tax (PBB).[26] Both treat land as the object of taxation, although the contexts differ. In the early Islamic period, tax was imposed only on land used for agriculture, whereas in Indonesia tax is imposed on

[25]Supangat, "Kebijakan Fiskal Negara Indonesia dalam Perspektif Ekonomi Islam," *Economica: Jurnal Ekonomi Islam* 4, no. 2 (2013), https://doi.org/10.21580/economica.2013.4.2.781.

[26]S. Jajuli, "Kebijakan Fiskal dalam Perspektif Islam (Baitul Maal sebagai Basis Pertama dalam Pendapatan Islam)," *Ad Deenar: Jurnal Ekonomi dan Bisnis Islam* 1, no. 1 (2018), https://doi.org/10.30868/ad.v1i01.225.

both land and buildings because of the diverse uses to which land is put, such as for industry and offices. The level of the tax rate depends on government policy, with the aim of maximising the use of land and ensuring a more equitable distribution of land. A summary of the equivalences between classical Islamic fiscal instruments and the fiscal instruments in force in Indonesia is presented in Table 1.

Table 1. Equivalents of Classical Islamic Fiscal Instruments in the Indonesian Fiscal System

Islamic fiscal instrument	Object of the levy	Equivalent in Indonesia	Notes
Zakat	Wealth reaching the nisab and haul thresholds	Zakat administered by BAZNAS/LAZ; deductible from taxable income	Recognised under Law No. 23 of 2011 and the Income Tax Law
Kharaj	Agricultural land	Land and Building Tax (PBB)	Object extended to cover both land and buildings
Usyur	Goods traded across borders	Value Added Tax (PPN) and import duties	Both protect domestic trade
Infak, sedekah, and waqf	Voluntary giving	Cash waqf and other religious social funds	Source of social financing outside the APBN
Jizyah	Non-Muslim residents of an Islamic state	No equivalent	Not relevant to the principle of equal citizenship
Al-ghanimah and *khums*	Spoils of war	No equivalent	The context of warfare is not relevant to the modern state

Source: compiled from the relevant literature and legislation

Table 1 shows that most classical Islamic fiscal instruments have a functional equivalent within the Indonesian fiscal system, particularly in the revenue function and in the protection of domestic trade. The instruments that have no equivalent are generally those tied to the context of warfare and to a citizenship status that is no longer relevant to the modern nation-state order. This pattern confirms that the integration of Islamic fiscal instruments into the national system is selective and adaptive rather than a wholesale adoption.

Zakat is also an important instrument of revenue. As a pillar of Islam, zakat must be understood and practised by Muslims.[27] Some scholars hold that zakat is the only obligation on wealth, while others acknowledge the existence of an additional obligation in the form of taxation (*dharibah*) in emergency situations for the benefit of the community. This view, as expressed by Qadhi Abu Bakar Ibn al-ʻArabi and Imam al-Shatibi, holds that taxes may be levied in order to avoid harm when state funds are insufficient.[28]

Integrating the instruments of zakat and taxation in Indonesia could improve the effectiveness of the collection and use of public funds. The government could draw on the authority of the Ministry of Finance to align the administration of zakat and taxation. One step would be to provide that zakat already paid may reduce the taxpayer's liability (*tax deductible*).[29] By way of illustration, a taxpayer with an income of between IDR 50 million and IDR 250 million subject to a rate of 15 percent who has paid zakat of 2.5 percent would effectively bear a remaining burden of only 12.5 percent.[30]

Such a policy has the potential to serve as an effective fiscal incentive because it raises public enthusiasm for paying both zakat and tax. Although the percentage of tax received would be smaller, total state revenue could well increase as public compliance with both obligations grows. This argument finds empirical support in the national zakat collection data, which have reached only around 12.5 percent of potential, leaving very considerable room for growth in collection. Integrating zakat as a tax deduction can therefore function

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[27] S. Nurfida, H. Dahayu, S. P. Qomariyah, M. F. Hasym, "Zakat sebagai Instrumen Kebijakan Fiskal Islam," *Jurnal Ekonomi Revolusioner* 7, no. 12 (2024).

[28] Nur Kholis, "Perpajakan di Indonesia dalam Perspektif Hukum Ekonomi Islam," *Jurnal EKBISI* 5, no. 1 (2010).

[29] *Undang-Undang Republik Indonesia Nomor 17 Tahun 2000 tentang Perubahan Ketiga atas Undang-Undang Nomor 7 Tahun 1983 tentang Pajak Penghasilan*.

[30] *Undang-Undang Republik Indonesia Nomor 36 Tahun 2008 tentang Perubahan Keempat atas Undang-Undang Nomor 7 Tahun 1983 tentang Pajak Penghasilan*.

as a form of recognition for taxpayers while also strengthening the state's fiscal system.

Fiscal Policy and the Development of Islamic Banking

Effective fiscal policy is believed to be capable of influencing the dynamics of the financial industry, both conventional and Islamic, including the Islamic banking sector. In matters of tax policy, the regulator has accorded equal treatment to Islamic and conventional banking. Even so, ambiguity persists in several regulations relating to fiscal policy in Islamic banking. One example is the problem encountered at Tax Service Offices (KPP) in connection with lease transactions using the *ijarah* or *al-ijarah al-muntahiya bit tamlik* (IMBT) contract.

In the case of *ijarah*, some KPP still apply double taxation. This occurs because Minister of Finance Regulation No. 136/PMK.03/2011 states only that a transfer of assets carried out on the basis of sharia principles is deemed to be a direct transfer from the third party to the customer, without explicitly specifying the type of transaction or contract involved.[31] As a result of this lack of clarity, an interpretation has arisen under which tax is imposed twice, namely when the bank acquires the asset and when the asset is transferred from the bank to the customer at the end of the lease period. In fact, the transfer of ownership under an IMBT contract should be regarded as a direct transfer from the third party to the customer, so that tax is imposed only once. Regulatory clarity is therefore required so that KPP throughout Indonesia hold a uniform view and no differences in treatment arise in the imposition of tax on Islamic banking transactions.[32]

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[31] *Peraturan Menteri Keuangan Republik Indonesia Nomor 136/PMK.03/2011 tentang Pengenaan Pajak Penghasilan untuk Kegiatan Usaha Perbankan Syariah*.

[32] "Kebijakan Fiskal untuk Perkembangan Bank Syariah," Komite Nasional Ekonomi dan Keuangan Syariah, accessed April 15, 2025, https://kneks.go.id/berita/272/kebijakan-fiskal-untuk-perkembangan-bank-syariah.

In general terms, Islamic-based fiscal policy in Indonesia is reflected in several government measures in economic development that use funds and instruments consistent with sharia principles, namely tax revenue that already accords with, or may be equated to, the levies of the era of the Prophet Muhammad (peace be upon him); the raising of government funds through other sources such as grants that are consistent with sharia principles; and the issuance of Sharia-Compliant Government Securities (SBSN) to raise funds in accordance with the sharia. The use of state funds focused on the benefit of the community, such as the construction of public facilities and infrastructure, is likewise consistent with sharia principles and with the government's role in creating public welfare.

Conclusion

On the basis of the findings of this study, it may be concluded that the implementation of fiscal policy from the perspective of Islamic economics emphasises the principle of distributive justice, efficiency in the use of resources, and a commitment to the benefit of the community. The model of fiscal policy in the era of the Prophet Muhammad (peace be upon him) demonstrates a system based on actual revenue without creating a deficit, effectively administered through the institution of the *baitul mal*. In the Indonesian context, although the fiscal system in force remains predominantly conventional and faces structural pressure in the form of a deficit of IDR 507.8 trillion in 2024 and a *tax ratio* of only 10.08 percent, several Islamic fiscal instruments such as zakat and *kharaj* have begun to be integrated into national fiscal policy. Measures such as the recognition of zakat as a deduction from taxable income are an example of positive synergy between sharia principles and the modern fiscal system.

Nevertheless, the implementation of Islamic-based fiscal policy in Indonesia still faces a number of challenges, particularly with regard to regulation, inter-institutional coordination, and public understanding. This is reflected in the gap between the national zakat potential of IDR 327 trillion and actual collection, which has reached only around IDR 41 trillion. What is required, therefore, is the strengthening of the legal and institutional framework supporting full integration between Islamic values and the state fiscal system, in order to realise public financial governance that is more just, inclusive, and sustainable.

This study has limitations in that it is a literature-based inquiry and therefore does not empirically test the magnitude of the contribution of Islamic fiscal instruments to national fiscal performance. Future research is advised to adopt a quantitative approach in order to measure the effect of zakat collection on indicators of poverty and inequality, and to examine institutional designs that would allow the synergy between zakat and taxation to operate in practice.

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