

Implementing Cryptocurrency *Zakat* Payments: An Analytical Study of the Federal Territories Islamic Religious Council *Zakat* Collection Centre (PPZ-MAIWP)

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Abstract: The rapid growth of cryptocurrency and other digital assets has introduced new challenges and opportunities for *zakat* administration in Muslim-majority countries. In Malaysia, where digital assets are legally recognised as commodities under the existing regulatory framework, official *zakat* institutions have begun exploring innovative mechanisms to facilitate *zakat* payments using cryptocurrency. Despite this development, empirical research examining the institutional implementation of cryptocurrency *zakat* payments remains limited. This study aims to analyse the implementation mechanism, governance structure, and Shariah compliance of cryptocurrency *zakat* payments at the Federal Territories Islamic Religious Council *Zakat* Collection Centre (PPZ-MAIWP) through its collaboration with Sharlife Sdn. Bhd. Employing a qualitative field research approach, the study integrates document analysis, semi-structured interviews with representatives of PPZ-MAIWP and Sharlife Sdn. Bhd., and a review of relevant legal, regulatory, and Shariah literature. The findings reveal that the institutional framework developed through this collaboration provides a structured, transparent, and technologically secure mechanism for facilitating cryptocurrency *zakat* payments while ensuring compliance with fundamental Shariah principles, including ownership (*al-milk*), lawful wealth (*al-māl al-mutaqawwam*), and valid transfer (*tamlik*). The initiative has also attracted significant attention beyond Malaysia, demonstrating its potential as a model for digital *zakat* governance in the global Islamic finance ecosystem. Nevertheless, the study identifies the need for more comprehensive Shariah governance standards, clearer regulatory guidelines for cryptocurrency eligibility, and stronger cybersecurity safeguards to mitigate operational risks and enhance public confidence. The study concludes that cryptocurrency-based *zakat* payment has considerable potential to expand *zakat* collection, improve institutional efficiency, and strengthen the distribution of *zakat* funds to eligible beneficiaries (*asnaf*). Its primary scientific contribution lies in proposing an integrated institutional framework that combines digital

financial innovation, Shariah governance, and *maqāṣid al-sharī'ah* principles to support the sustainable transformation of contemporary *zakat* management.

Keywords: Cryptocurrency *Zakat*; Digital Asset Governance; PPZ-MAIWP; Shariah Compliance; Digital *Zakat* Payment; *Maqāṣid al-Sharī'ah*.

INTRODUCTION

Sharing and caring for others have always been important values throughout human civilisation. Institutions that manage the distribution of wealth and support those in need play an important role in maintaining social stability and fairness (*al-'adl*). In Islam, one of the main financial instruments used to promote social justice and support the welfare of society is *zakat* (Hasanah et al., 2021). *Zakat* is one of the important fundamental elements in Islam. Beyond being a religious obligation, it also serves as an important tool for building a fair society that prevents oppression and inequality (Alim, 2023). Moreover, *zakat* plays an important role in reducing poverty, supporting economic stability, and promoting social justice among Muslim communities (Bafadhal, 2021). In this sense, *zakat* can be viewed as a mechanism for transferring wealth from the rich to those in need, which helps to create greater social balance and encourages a fairer distribution of wealth in society (Hermansyah, 2025). In recent decades, the management of *zakat* has undergone significant changes and improvements (Ab Rahman et al., 2025).

This study aims to analyse the structure of *zakat* payments using digital assets implemented by the MAIWP *Zakat* Collection Centre (PPZ-MAIWP). A lack of clarity regarding the procedures and management of cryptocurrency *zakat* payments may reduce *zakat* payers' willingness to use official payment channels and create doubts about *zakat* institutions. Therefore, *zakat* institutions need to explain and publicise the process of collecting *zakat* through digital assets to strengthen public understanding and confidence. In line with this objective, the study addresses three main questions: (i) what mechanisms are used by PPZ-MAIWP to collect *zakat* on digital assets, (ii) what challenges does PPZ-MAIWP face in implementing digital asset *zakat* payments, and (iii) what solutions and recommendations are proposed by PPZ-MAIWP to overcome these challenges. The findings are expected to provide a clearer and better understanding of how PPZ-MAIWP implements *zakat* payments involving digital assets.

Most existing literature reviews on *zakat* focus on using blockchain as a platform for storing and managing data (Hamdani, 2020). Blockchain is a form of distributed ledger technology that records transaction data in blocks, and once the information has been recorded, it is difficult to delete or modify the data (Septianda et al., 2022). This technology is believed to help address several issues in *zakat* management, including inefficient distribution processes and a lack of transparency (Khairi et al., 2024).

However, to the best of the authors' knowledge, no specific study has examined PPZ-MAIWP's implementation of *zakat* payments using digital assets. Therefore, a clear gap exists in the current literature. This study seeks to fill that gap by providing a detailed analysis of how PPZ-MAIWP manages *zakat* payments through digital assets while also contributing new knowledge to the sector of cryptocurrency *zakat* management. This study is expected to provide new insights into *zakat* management and financial technology (fintech), particularly regarding the use of digital assets for *zakat* payments. The findings may also enrich academic discussions on innovative *zakat* collection strategies that can improve the efficiency and transparency of *zakat* management.

METHOD

This study adopts a qualitative research methodology based on document analysis, literature review, reports, and semi-structured interviews with representatives from MAIWP *Zakat* Collection Centre (PPZ-MAIWP) and Sharlife Sdn Bhd. Data were collected through a comprehensive review of the relevant literature, including journal articles, reference books, official websites, documents issued by Islamic religious authorities, and other publications related to the management of *zakat* payments using digital assets. Google was used as the main search engine to identify relevant materials. Keywords such as "*zakat* ruling on digital currencies," "blockchain," and "*zakat*" were used during the search process.

Primary data were collected through two interview sessions involving two different organisations: PPZ-MAIWP and Sharlife Sdn Bhd. The interview with Sharlife Sdn Bhd was conducted online and involved the researcher and two informants from the company. The purpose of the interview was to understand the operational structure of *zakat* payments using digital assets and the process used to screen shariah-compliant digital assets. The interview with PPZ-MAIWP was conducted at Menara MAIWP in Kuala Lumpur. It involved the researcher and two informants from PPZ-MAIWP. The interview aimed to obtain information on the implementation of digital assets *zakat* payments and statistics

relating to the amount of *zakat* collected through digital assets. All selected informants were directly involved in, and had relevant authority over, the management and administration of digital asset *zakat*. Although the number of informants was limited, the information obtained was considered sufficient to address the objectives of the study. Nevertheless, given the small number of informants, caution must be applied as the findings might not be transferable to other *zakat* institutions. The data were analysed using descriptive, inductive, and thematic document analysis methods. This study also considered the views of Islamic scholars and the relevant evidence presented in relation to the issue. Data connected to the research topic were then organised, interpreted and analysed to answer the research questions and achieve the objectives of the study.

RESULTS AND DISCUSSIONS

The Emergence of Cryptocurrency

Cryptocurrency has brought major changes to the financial system because it operates without the control of a centralised authority (Ugochukwu et al., 2024). Cryptocurrency, also commonly known as digital currency, is one of the developments in financial technology that has received considerable attention from researchers and academics (Zufria et al., 2022). Cryptocurrency is a form of digital currency created using blockchain technology and protected through cryptographic methods, and Bitcoin was the first widely recognised cryptocurrency (Gonzalez, 2022). Cryptography is the process of converting readable information into a protected form that unauthorised parties cannot easily understand, and that can only be accessed by the intended recipient, preventing interference or misuse by others (Archana & Niranjana, 2023).

The concept of cryptocurrency was introduced through the creation of Bitcoin in 2007 by an individual or group under the pseudonym Satoshi Nakamoto, employing the SHA-256 cryptographic hash function as part of its Proof of Work mechanism (Billah, 2022). SHA-256 stands for Secure Hash Algorithm 256-bit, which converts data into a fixed-length output that cannot easily be reversed or altered (Gilbert & Gilbert, 2024). This hash function is used in the Bitcoin mining process to create cryptographic puzzles that miners must solve to validate transactions and add new blocks to the blockchain (Gilbert & Gilbert, 2024).

Another cryptographic hash function, known as RIPEMD-160, is used together with SHA-256 in the process of generating Bitcoin addresses to protect

the security and integrity of the blockchain network (Feng et al., 2025). The action of hashing converts data into a fixed-length sequence of seemingly random characters to make it extremely difficult to recover the original input from the output (Zhao et al., 2018). For example, the phrase “the quick brown fox” produces the following SHA-256 hash: “9ECB36561341D18EB65484E833EFEA61EDC74B84CF5E6AE1B81C63533E25FC8F” (Shankland, 2018).

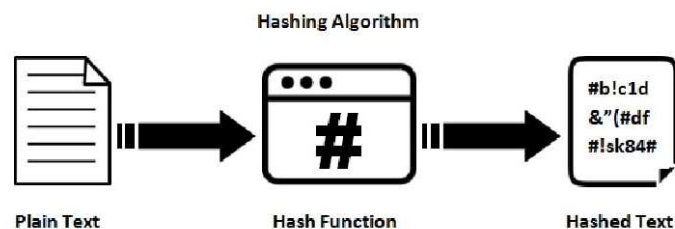


Figure 1 Hashing Algorithm by Shivanshu (2025)

Traditionally, the verification and recording of financial transactions depend on centralised institutions. Over time, this system may create several problems, including high administrative costs, inefficient processes, and security risks such as cyberattacks (Jiayi Wang & Wang, 2025). In the cryptocurrency industry, digital currencies other than Bitcoin are generally known as altcoins, which is a shortened form of “alternative coins” (Ritonga et al., 2025). Some well-known examples include Solana (SOL), Cardano (ADA), Polkadot (DOT), Stellar (XLM), and UniSwap (UNI) (Obreja, 2024). The concept of cryptocurrency did not begin in 2007, but the idea had already been introduced by the computer scientist Nick Szabo in 1998 (Md Tahir et al., 2025). Szabo envisioned a decentralised digital currency independent of central authority, known as Bit Gold, that would function as a long-term store of value (CFTE, 2023).

Since the introduction of Bitcoin, the number of cryptocurrencies has grown rapidly. According to the site <https://coinmarketcap.com/> accessed on 18 July 2026, at the time of writing, there are over 29.9 million cryptocurrencies, with a market value of approximately USD 2.27 trillion. The total market capitalisation of the cryptocurrency market increased from approximately USD 100 billion in 2017 to more than USD 350 billion in 2020, and has now surged

to approximately USD 2.27 trillion in 2026 (CoinMarketCap, 2026; Wątarek et al., 2021).

Blockchain technology forms the technological foundation of cryptocurrencies. Although blockchain was first introduced through Bitcoin, it began to receive wider global attention around 2015 and was increasingly recognised as a technology capable of transforming various industries (Knezevic, 2018). Its applications now extend beyond cryptocurrency to areas such as healthcare, food supply chain management, identity management and financial services (Adiguzel & Kranokutska, 2021; Ali, 2023). Since the development of blockchain technology, digital assets have grown rapidly and attracted increasing interest from investors and users and continue to be valuable instruments in the digital economy (NASDAQ, n.d.).

Concept of Crypto *Zakat*

The root of *zakāt* linguistically means *ṭahāra* (purity), *namā'* (growth), *baraka* (blessing), and *madḥ* (praise), which can be found in the Qur'an and hadith literature (Al-Daghistani, 2025). The concept of purity in *zakāt* refers to cleansing wealth from greed and miserliness (Djatkiko, 2019). Ibn Manzur in his book, *Lisan al-ʿArab*, first describes *zakāt* as something that grows or spreads, such as plants in soil; whatever it increases or grows, it is called *yaṣkū zakā'an* (Ibn Manzur, 2008). The majority of Islamic scholars hold that a Muslim's failure to fulfil the obligation of *zakāt* may negatively affect the strength of their faith (Muhd Adnan et al., 2019). Ibn Taimiyah explained that paying *zakāt* purifies both the individual and their wealth and allows their wealth to grow in a spiritual and meaningful sense (Latief & Sandimula, 2022). This understanding aligns with verse 103 of Surah al-Tawbah:

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ ﴿١٠٣﴾

“Take Sadaqah (obligatory alms) out of their wealth through which you may cleanse and purify them, and pray for them. Indeed, your prayer is a source of peace for them. Moreover, Allah is (All-) Hearing, (All-) Knowing.”

(Surah al-Tawbah, 9: 103)

This means that *zakāt* not only purifies a person's wealth but also cleanses the payer's soul from negative qualities such as greed and selfishness

(Assadullayev, 2018). Therefore, *zakat* helps develop good moral values, strengthens the economy of the Muslim community, and provides support to those in need (Yusfiarto et al., 2020).

According to al-Qaradawi (1999) and al-Zuhaily (1997), *zakat* refers to a compulsory right attached to certain forms of wealth that must be given to those who are entitled to receive it. *Zakat* can also be defined as the obligatory contribution of a portion of wealth owned by a Muslim once the required conditions, including *nisab* and *haul*, have been fulfilled (MAIDAM, 2022). The rate of *zakat* is 2.5% of the total wealth owned (Rosele et al., 2025). The collected *zakat* is then distributed among the eligible categories of recipients known as *asnaf* as stated in verse 60 of Surah al-Tawbah:

﴿ إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَرَمِينَ وَفِي سَبِيلِ اللَّهِ وَأَبْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ ۝ ٦٠ ﴾

“The Sadaqāt (prescribed alms) are (meant) only to be given to the poor, the needy, to those employed to collect them, to those whose hearts are to be won, in the cause of the enslaved people and those encumbered with debt, in the way of Allah and to a wayfarer. This is an obligation prescribed by Allah. Allah is All-Knowing, Wise.”

(Surah al-Tawbah, 9: 60)

Zakat not only helps people living in poverty but also strengthens social relationships within the community and contributes to the socioeconomic development of Muslim countries. In other words, *zakat* supports those in need by reducing their financial difficulties and improving their ability to meet daily necessities. The shariah status of cryptocurrency has also received considerable attention among scholars in Malaysia (Nor Azelan et al., 2023). Their discussions mainly focus on two questions: (i) whether cryptocurrency can be recognised as *mal* (property) that may be legally traded under shariah principles and (ii) whether cryptocurrency should be treated as a form of currency (Kirchner, 2021).

In determining whether a digital asset is shariah compliant, scholars examined prohibited elements such as *riba* (interest), *gharar* (uncertainty) and *maysir* (gambling) (Benali et al., 2025). Bank Negara Malaysia (BNM) has stated

that cryptocurrency is not recognised as legal tender in Malaysia (Ab Halim et al., 2024). However, in 2019 the Malaysian Ministry of Finance recognised cryptocurrency as a digital asset (Che Rani & Salleh, 2019). The Shariah Advisory Council of the Securities Commission Malaysia (SC) has also recognised cryptocurrency as *mal* from a Shariah perspective (Ab Halim et al., 2024). In 2018, the Mufti of the Federal Territories stated that cryptocurrency should not be used as a currency because of its highly volatile value (Che Kamaruddin et al., 2024). However, he also explained that cryptocurrency should not be completely rejected and further research is needed to determine its shariah status (Aliyu et al., 2020). Mohd Daud Bakar, an Islamic finance expert, believes that cryptocurrency may represent a new form of commodity that can be used for investment purposes (Qadri et al., 2023). In addition, the Fourth Meeting of the Selangor State Fatwa Committee held on 17 August 2021 set strict conditions for cryptocurrency transactions, including the requirement to use licensed trading platforms.

Some scholars argue that cryptocurrency may be considered permissible if it fulfils certain conditions as a medium of exchange and a store of value (Al-Khalifa, 2022). However, the absence of physical asset backing or support from a central authority such as BNM has raised concerns about its shariah status (Aliyu et al., 2020). In addition, the highly volatile value of cryptocurrency and its exposure to excessive speculation make it difficult to accept as a stable store of value (Al-Balawee & Al-Fahoum, 2023). In Malaysia, cryptocurrency is recognised as a digital commodity or asset with its own value (Hongliang et al., 2025). The Securities Commission Malaysia (SC) has classified cryptocurrency as a digital asset under the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019, pursuant to the Capital Markets and Services Act 2007. The Malaysian government has adopted an approach that allows approved and shariah-compliant digital assets to operate in the cryptocurrency market, where all Digital Asset Exchanges (DAX) are required to comply with the guidelines issued by the SC (Hongliang et al., 2025).

Structure of Cryptocurrency *Zakat* Institutions in Malaysia

In Malaysia, the State Islamic Religious Council (Majlis Agama Islam Negeri, MAIN) plays a vital role in governing Islamic affairs. Matters relating to Islam fall under the authority of the states as clearly stated in the Federal Constitution (Abu Bakar, 2018). *Zakat* institutions serve as important

instruments for economic development and wealth distribution, although their full potential in achieving these goals has not yet been fully realised. Under the Ninth Schedule, List II of the Federal Constitution, matters such as *zakat*, *baitulmal* and other Islamic affairs are placed under state jurisdiction (Muhsin Nor, 2013).

A *zakat* institution is an Islamic body responsible for managing the financial affairs of the Muslim community, particularly the collection and distribution of *zakat* to eligible *asnaf*. Its main purpose is to improve the living standards and welfare of these groups. *Zakat* institutions may also be understood as official bodies established by the government of a Muslim country to collect and distribute *zakat* according to the principles stated in the al-Quran and al-Sunnah (Mujaini, 2005). In Malaysia, the management and administration are carried out by the respective MAIN and state government as representatives of the Sultan or Ruler (Raja) (Mohamed Hasbullah & Harun, 2022). The Malaysian *zakat* institutional system is also recognised for having a relatively organised and efficient management structure compared with those in several other countries (Asmadia et al., 2005).

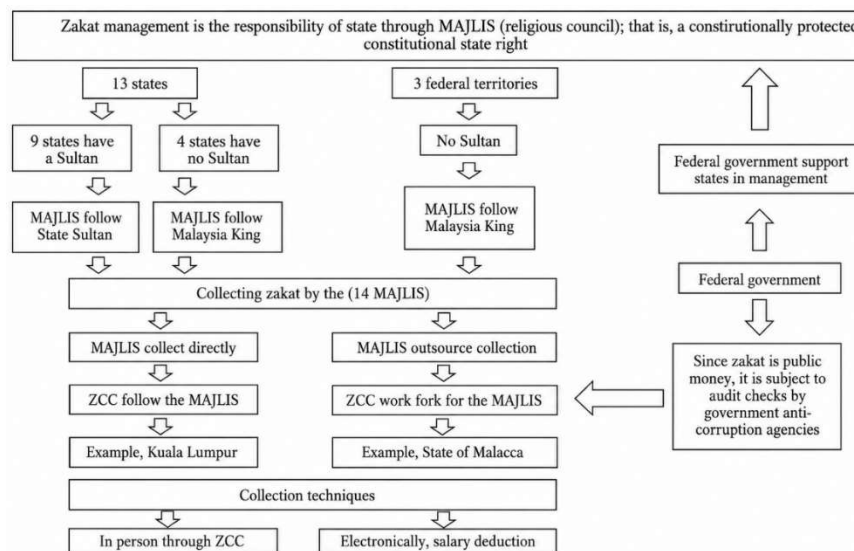


Figure 2 Zakat Management in Malaysia by Migdad (2019)

There are 14 State Islamic Religious Councils (MAIN) in Malaysia, and each of them plays an important role in systematically managing *zakat* collection. Figure 2 illustrates *zakat* management based on the relationship between MAIN and the federal government. It also shows that both MAIN and the federal

government have important responsibilities in managing Islamic affairs and *zakat* administration. The efficiency of *zakat* institutions can be used as an indicator of their performance. It also demonstrates that *zakat* is an important instrument for improving the economic well-being and social development of the Muslim community.

The establishment of the *Zakat* Collection Centre of the Federal Territories Islamic Religious Council (PPZ-MAIWP) on 1 January 1991 marked an important step in improving *zakat* management in Malaysia, especially in the Federal Territories (Mohd Salleh & Chowdhury, 2020). The decision to appoint a corporate entity named Hartasuci Sdn Bhd to manage *zakat* collection was part of a wider effort to make *zakat* administration more efficient and professional (Sarif et al., 2020). In addition, the Malaysian government's decision in 2005 to allow tax deductions for corporate *zakat* paid to MAIN encouraged more companies to fulfil their *zakat* obligations through official channels such as PPZ-MAIWP (Talattov et al., 2016).

The institution responsible for *zakat* collection and distribution in the Federal Territories is the Federal Territories Islamic Religious Council (Majlis Agama Islam Wilayah Persekutuan, MAIWP), which was established under Section 4(1) of the Administration of Islamic Law (Federal Territories) Act 1993 [Act 505] as stated below:

“Maka hendaklah ada suatu badan yang dikenali sebagai Majlis Agama Islam Wilayah Persekutuan untuk menasibati Yang di-Pertuan Agong dalam perkara-perkara yang berhubungan dengan agama Islam.”

The establishment of PPZ-MAIWP began with a proposal by Dato' Haji Abdul Rahim Abu Bakar (who served as Menteri Besar of Pahang from 1978 to 1981) to Tan Sri Dato' Dr Mohd Yusuf Noor (Chairman of MAIWP at that time) (PPZ MAIWP, 2023). The proposal was made in response to several weaknesses in the existing *zakat* collection system, including an unstructured administrative system, limited guidance on the calculation of *zakat* on wealth, excessive focus on *zakat fitrah* and insufficient payment facilities for the public (PPZ MAIWP, 2023).

Since 1991, *zakat* collection has been managed by a company established by MAIWP, known as Hartasuci Sdn Bhd, that operates under the name Pusat Pungutan *Zakat* (PPZ). This arrangement is in line with Section

8A(1) of the Administration of Islamic Law (Federal Territories) Act 1993 [Act 505] which states that:

“Majlis boleh, dengan kelulusan Yang di-Pertuan Agong, menubuhkan syarikat di bawah Akta Syarikat 1965 (Akta 125) untuk menjalankan mana-mana aktiviti yang telah dirancang atau diusahakan oleh Majlis dalam melaksanakan kewajipan atau kuasanya di bawah Seksyen 7.”

As a wholly owned subsidiary of MAIWP, PPZ-MAIWP is responsible for collecting *zakat* and raising public awareness about the importance of fulfilling this obligation (Bahri et al., 2023). PPZ-MAIWP also plays a vital role in collecting *zakat* from individuals and business organisations in accordance with shariah principles (Khairi et al., 2024). Since its establishment, PPZ-MAIWP has introduced various *zakat* payment services, including *zakat* on income, business and gold, to encourage Muslims in Malaysia to fulfil their *zakat* obligations (Muhsin Nor, 2017). PPZ-MAIWP is authorised to collect *zakat* in the Federal Territories on behalf of MAIWP, while the distribution of *zakat* is fully managed by MAIWP's Baitulmal Division (Muhsin Nor, 2013; Raja Norabidin Shah & Hassan, 2017).

Structure of *Zakat* Payment using Digital Asset

PPZ-MAIWP took a bold step by introducing a platform that allows *zakat* payment to be made using digital assets (cryptocurrency) (Sallehuddin, 2024). According to Sharlife's official website, PPZ-MAIWP appointed Sharlife Sdn Bhd as an *'amil* (agent) to manage the collection of *zakat* through digital assets for two years from 1 August 2024 to 31 July 2026. According to Ms Aqilah Azhari, an informant from Sharlife Sdn Bhd, the platform developed through collaboration between PPZ-MAIWP and Sharlife Sdn Bhd is believed to be the first platform in the world to provide this type of digital asset *zakat* payment facility.

How to pay zakat using Sharlife Platform?



Figure 3 Source: Author's Illustration

As of December 2025, Sharlife accepted two main methods of *zakat* payment: (i) fiat currency and (ii) digital assets. *Zakat* payers could make online payments through payment gateways such as FPX payment gateway and CHIP payment gateway. Sharlife also allowed *zakat* to be paid directly using digital assets. At that time, the platform only supported the Solana, Ethereum and Polygon networks through their respective native tokens known as SOL, ETH and POL. These tokens were selected because they were widely recognised and commonly used by digital asset holders.

About the first method, Sharlife uses the Financial Process Exchange (FPX) payment channel operated by FPX Payment Sdn Bhd, a subsidiary of the Malaysian Electronic Payment System Sdn Bhd commonly known as MEPS (Muhammad et al., 2025). This method allows *zakat* payers who own digital assets to fulfil their *zakat* obligations using fiat currency. More recently, Sharlife introduced the CHIP Payment Gateway, which offers faster transactions, lower transaction fees and a smoother user experience. This helps ensure that the *zakat* payment process is more convenient and efficient for both *zakat* payers and the receiving institution.



Figure 4 Author's Illustration of Digital Asset Zakat Payment Using Fiat Currency

Figure 4 illustrates the process of paying *zakat* on digital assets using fiat currency. First, users must access the “Pay *Zakat*” section on Sharlife’s official website and enter their digital wallet address in the space provided. The system will then identify the digital assets held in the wallet and display the shariah status of each asset. Next, the system calculates *zakat* on shariah-compliant digital assets that have fulfilled the required *nisab* and *haul*. It then displays the total amount of *zakat* payable. The user will be redirected to a payment gateway to complete the payment. A transaction fee of RM1.00 is charged for each *zakat* payment. The *zakat* payer pays this fee and is not charged to Sharlife or PPZ-MAIWP. The *zakat* payment is first deposited into Sharlife Sdn Bhd’s official bank account before being transferred to PPZ-MAIWP’s official bank account. After taking the transaction fee into account, the amount received by PPZ-MAIWP may be calculated as follows:

$$\begin{aligned} &\text{RM 451.00 (Total zakat payable)} - \text{RM 1.00 (Transaction fee)} \\ &= \text{RM 450.00 (Amount received by PPZ-MAIWP)} \end{aligned}$$

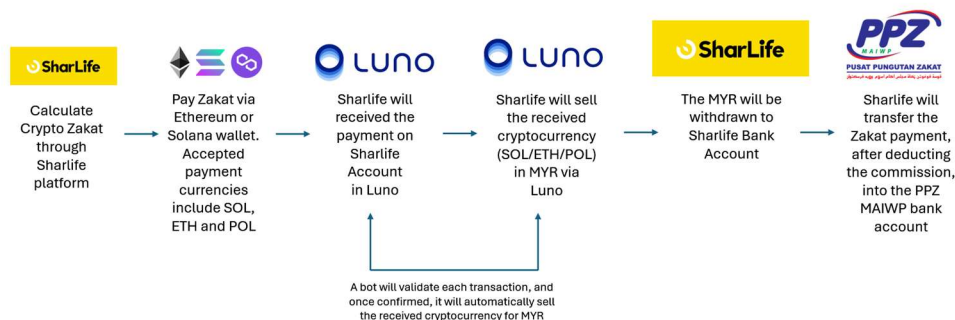


Figure 5 Author’s Illustration of Digital Asset Zakat Payment Using Digital Asset

Turning to the second method, Figure 5 illustrates the process of paying *zakat* on digital assets using the digital assets themselves. First, users enter their digital wallet address on Sharlife’s official platform so that the system can calculate the amount of *zakat* payable. The user then confirms the transaction and transfers the digital assets to Sharlife’s account on Luno, a digital asset exchange recognised by the Securities Commission Malaysia. At this stage, the payment is made using supported digital assets such as SOL, ETH or POL, rather than fiat currency. The received tokens are then sold through the Luno platform

and converted into Malaysian Ringgit (MYR). This conversion is necessary because *zakat* institutions in Malaysia, including PPZ-MAIWP, only accept *zakat* payments in fiat currency such as the Malaysian Ringgit. To reduce the risk caused by the high price volatility of digital assets, Sharlife uses an automated bot to sell and convert the tokens into MYR within approximately one to three seconds. This helps ensure that the *zakat* amount is calculated fairly and accurately based on the value of the digital asset at the time of payment. Sharlife then withdraws the MYR obtained from the conversion and transfers it to its official bank account. The money is later transferred to PPZ-MAIWP's official bank account as the *zakat* payment made by the user.

According to the informant, Luno offers a relatively low total trading cost of approximately 2.5% compared with other cryptocurrency trading platforms. The spread refers to the difference between the buying and selling prices of a digital asset. PPZ-MAIWP bears this cost. The following provides an example of how the amount received by PPZ-MAIWP is calculated:

$$\begin{aligned} &\text{RM 100.00 (Total zakat payable)} - \text{RM 2.50 (Conversion cost)} \\ &= \text{RM 97.50 (Amount received by PPZ-MAIWP)} \end{aligned}$$

According to the informant, Sharlife initially used the Bybit platform to manage and convert digital assets received through *zakat* payments. However, Bybit was not registered as a Digital Asset Exchange (DAX) approved by the Securities Commission Malaysia. To ensure its operations complied with regulatory requirements in Malaysia, Sharlife decided to move its digital asset management activities to Tokenise Exchange, which the Securities Commission Malaysia recognised. Tokenise Exchange has now been officially rebranded as Kinetic DAX (KDX) in Malaysia (Fintech News Malaysia, 2025).

Subsequently, Sharlife migrated to the Luno platform. Luno's lower spread mainly influenced this decision compared with other available platforms. A lower spread helps reduce the cost involved in converting digital assets into Malaysian Ringgit and allows a higher amount of *zakat* funds to be transferred to PPZ-MAIWP. Therefore, the changes in platforms would seem to reflect Sharlife's efforts to improve regulatory compliance, reduce conversion costs, and increase the efficiency of the digital asset *zakat* payment process. The development of these platform changes is summarised in the table below:

Table 1: Comparison of Fees and Costs Between Kinetic DAX and Luno

Aspect	Kinetic DAX (Formerly known as Tokenise Exchange)	Luno
Status	Licensed under SC	Licensed under SC
Taker Fee	0.8%	0.5%
Estimated Spread Difference	1% ~ 2%	1% ~ 2%
Total Estimated Fees and Cost	2.8%	2.5%

Note: The table is a simplified illustration prepared by the authors based on information provided by the informant

The taker fees and spread rates for both platforms, which were originally obtained through interviews with the informants, have since been updated on their respective official websites. At the time of writing, Kinetic DAX charges a taker fee of 0.60% for trading volumes between RM0 and RM50,000, and this taker fee may gradually decrease to as low as 0.15% when trading volume increases (Kinetic DAX, 2026). Luno also charges an initial taker fee of 0.60% for trading volumes below RM5,000 (Luno, 2026). However, the fee decreases to 0.50% when the trading volume is between RM5,000 and RM200,000 (Luno, 2026). Luno also offers lower taker fees for higher trading volumes (Luno, 2026).

Based on the latest information, the starting costs charged by both platforms are currently similar. However, Luno may offer a cost advantage because its taker fee falls to 0.50% once the trading volume exceeds RM5,000 (Luno, 2026). As PPZ-MAIWP operates in the Federal Territories, where economic and commercial activities are highly active, the amount of *zakat* collected is likely to exceed RM5,000. Therefore, Luno's fee structure may be more suitable and cost-effective for managing larger volumes of digital asset *zakat* transactions.

Shariah Rulings on Crypto *Zakat*

There is a slight inconsistency between the opinion adopted by the Selangor *Zakat* Board (Lembaga *Zakat* Selangor, LZS) and PPZ-MAIWP. LZS states that transactions involving digital currencies are permissible when they are used as (i) a payment intermediary, (ii) for remittance purposes, or (iii) as a store of value (LZS, 2026). However, the term "medium payment" may be confusing because cryptocurrency is generally treated as a tradable asset (*ʿurūḍ al-tijārah*) rather than an officially recognised medium of payment. Medium of payment refers to an instrument that is widely accepted for purchasing goods and services, such as banknotes and coins (Yang, 2007).

The permissibility of paying cryptocurrency *zakat* using cryptocurrency itself is relatively well established in Islamic jurisprudence and therefore requires only brief elaboration here. A basic rule of *zakat* is that *zakat* may be paid using the same type of asset on which *zakat* is due or, according to some juristic views, by paying its equivalent value in a generally accepted form. The majority of scholars maintain that *zakat* should normally be paid from the same type of property being assessed. This view is based on the hadiths of the Prophet Muhammad (peace be upon him) which specify the *zakat* amount for different types of wealth. For example, a person who owns forty sheep is required to give one sheep as *zakat*. This reflects the principle that *zakat* on wealth is originally paid from the same category of wealth, expressed as *zakāt al-māl tu'addā min jins al-māl*.

However, the Hanafi school allows *zakat* to be paid in the form of its monetary value instead of the original asset. Hanafi scholars argue that the main purpose of *zakat* is to fulfil the needs of the poor and needy, and cash may sometimes be more useful than property that is difficult to use or convert. Other schools generally prefer *zakat* to be paid from the same type of asset, although exceptions may be allowed in certain circumstances. Therefore, cryptocurrency *zakat* may be paid using the cryptocurrency itself, particularly when the *zakat* is due on that digital asset.

Issues and Recommended Solutions

The first concern identified in this study relates to *zakat* payers' wallets. *Zakat* payers are required to paste their public wallet addresses into the Sharlife platform so that the system can screen their digital assets and calculate the *zakat* due on shariah-compliant cryptocurrencies. Even though a public wallet address does not directly provide access to the wallet, this process may still raise concerns about data privacy and cybersecurity. Security risks remain important because cryptocurrency platforms have previously experienced major attacks. For example, in October 2022, the Binance ecosystem suffered a security breach involving approximately two million BNB tokens valued at approximately USD570 million at that time (CNBC, 2022).

A second issue is that PPZ-MAIWP depends heavily on Sharlife as a third-party service provider to manage the technology-based *zakat* collection process. This dependence exists because PPZ-MAIWP has not received permission or an official mandate from MAIWP to establish and operate its own digital wallet. To address these issues, PPZ-MAIWP could increase the number of officers with expertise in blockchain technology. This could be achieved by sending existing officers to professional training programs such as the Certified Blockchain Professional course provided by Blockchain Council to improve their understanding of the rapidly developing blockchain industry. PPZ-MAIWP could also recruit employees with expertise in information technology, artificial

intelligence (AI), cybersecurity and blockchain. Combining professional training with the recruitment of qualified specialists may eventually support the establishment of a dedicated blockchain unit within PPZ-MAIWP. This unit could reduce the institution's dependence on third parties and allow it to manage cryptocurrency *zakat* payments more independently. This could also improve transparency, security, and accountability in the management process.

PPZ-MAIWP may also collaborate with local universities on blockchain-related research and development. For example, it could establish a strategic partnership with Universiti Teknologi Malaysia (UTM) through the Centre for Artificial Intelligence and Robotics (CAIRO), which conducts research in areas related to artificial intelligence (AI), robotics, and emerging technologies. Another challenge involves the difficulty of monitoring and recording cryptocurrency *zakat* payments. This is because blockchain transactions are pseudonymous, meaning that a *zakat* payer's real identity cannot be identified directly from a digital wallet address. Although every transaction is recorded on the blockchain ledger, the record only shows the transfer of assets from one wallet address to another. As a result, it may be difficult for the institution to verify the payer's identity and maintain complete payment records.

Based on the interviews, the study found that PPZ-MAIWP is gradually moving towards a cloud-based system for recording *zakat* payment transactions. The use of cloud technology may improve the efficiency of *zakat* management, strengthen public trust through better reporting, and provide a smoother payment experience. Therefore, adopting modern technology supported by clear policies is important for improving the collection and management of digital *zakat*. PPZ-MAIWP could also require *zakat* payers to provide their personal details before a transaction can be completed. Payments without complete payer information would not be processed. In addition, PPZ-MAIWP could issue official *zakat* receipts that may be used for tax rebate purposes. This may encourage cryptocurrency *zakat* payers to provide accurate personal information when making payments. A further issue is the high volatility of cryptocurrency assets, as their prices may rise or fall sharply within a short period. To reduce this risk, Sharlife uses an automated trading bot to sell and convert the digital assets within approximately one to three seconds. This quick conversion process helps minimise exposure to sudden price changes.

Finally, the screening process for identifying shariah-compliant and non-shariah-compliant crypto assets is not clearly explained. The platform only displays the final screening result without showing the criteria or process used to reach that decision. The lack of transparency may reduce confidence in *zakat* institutions and create uncertainty among *zakat* payers. It may also increase the risk of non-Shariah-compliant crypto assets being used for *zakat* payments.

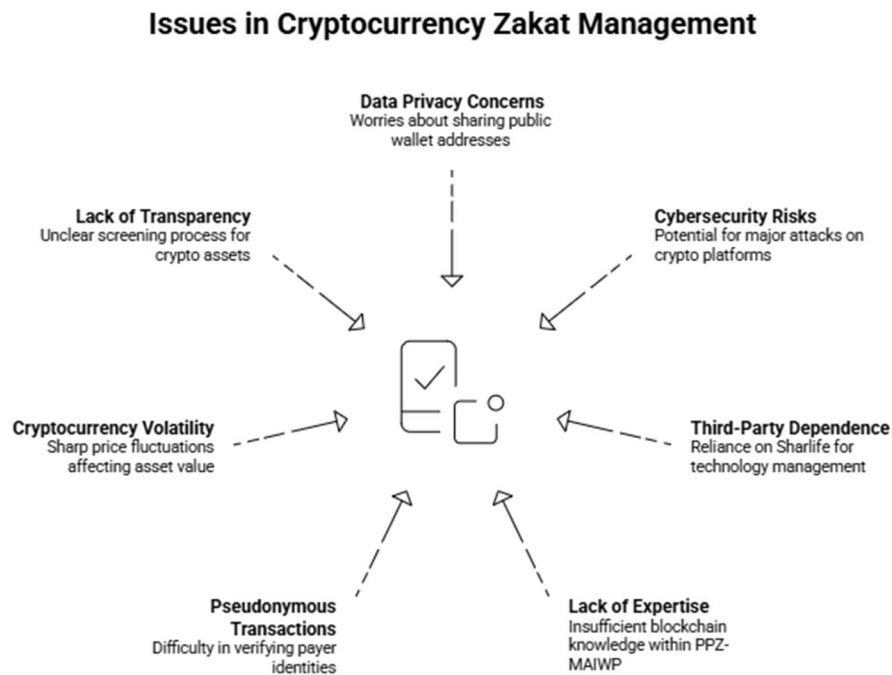


Figure 6 Author's Illustration

Performance of Digital Asset *Zakat* Collection at PPZ-MAIWP

The study found that the platform developed through the collaboration between PPZ-MAIWP and Sharlife Sdn Bhd is believed to be the first of its kind in the world. According to the informants, most of the *zakat* payers using this platform appear to be international industry players. Although the number of users is still limited, the amount of *zakat* collected is very high. According to the Securities Commission Malaysia, the total value of digital asset transactions in Malaysia reached RM16 billion in 2021, with individuals aged between 18 and 34 accounting for 54.2% of the total (Abdul Aziz, 2021). The growing acceptance and use of digital assets can also be seen in the increase in *zakat* collection. In 2023, digital asset *zakat* collection increased significantly by 73%, reaching RM25,983.91 (Astro Awani, 2024). From the beginning of 2024 until December 2024, PPZ-MAIWP recorded a higher collection of approximately RM44,991.97 (Astro Awani, 2024). This continued increase may reflect greater awareness and compliance among cryptocurrency holders in fulfilling their *zakat* obligations.

CONCLUSION

This study demonstrates that the implementation of *zakat* payments using digital assets by PPZ-MAIWP through its collaboration with Sharlife Sdn Bhd has established a structured and shariah-compliant payment mechanism.

The platform utilises an automated conversion system via the Luno exchange to convert digital assets into fiat currency (Malaysian Ringgit) within one to three seconds, thereby helping to minimise the risks associated with cryptocurrency price volatility. The findings suggest that the platform has contributed to a steady increase in digital asset *zakat* collection. The primary strength and contribution of this study lie in its detailed exposition of the operational structure and practical mechanisms of cryptocurrency *zakat* payments at an official institution, which fills a significant gap in existing literature. These findings provide fresh insights and a new perspective for global *zakat* institutions and the financial technology (fintech) industry, showcasing a working model of digital asset integration into Islamic financial management. Furthermore, this study offers a practical contribution by indicating that cryptocurrency innovations can be efficiently harnessed to support the welfare of the *asnaf* (eligible recipients) and strengthen the overall *zakat* ecosystem.

However, this study has several limitations, including a restricted sample size for interviews. The current system also heavily relies on a third-party service provider (Sharlife Sdn Bhd) due to the lack of an official mandate and a shortage of internal blockchain experts within PPZ-MAIWP. Additionally, the platform faces challenges related to data privacy concerns from using public wallet addresses, pseudonymous transactions that complicate payer identification, potential cybersecurity risks, and a lack of transparency in the shariah screening criteria for digital assets. Therefore, future empirical research is needed to address these limitations. It is recommended that *zakat* institutions establish their own internal blockchain expertise units, collaborate with academic institutions and transition to a robust cloud-based management system to enhance security and transparency. Accordingly, these findings should be interpreted with caution and cannot be extrapolated to all *zakat* institutions.

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AUTHOR CONTRIBUTIONS STATEMENT

Muhammad Al-Husam Mohd Kamal Nazmi is fully responsible for the conceptualisation of the research, research design, literature review, data collection,

data analysis, interpretation of findings, manuscript writing, revision, and final approval of the manuscript. The author has read and approved the final version of this article and accepts full responsibility for the integrity, accuracy, and originality of the research conducted. All responsibilities are undertaken in accordance with academic ethics and research publication standards, ensuring transparency, accountability, and scholarly integrity throughout the entire research process and the responsible management of final dissemination of results.

AI USAGE STATEMENT

The authors used artificial intelligence (AI)-assisted tools solely to support language editing, grammar checking, and manuscript readability improvement during the preparation of this article. All conceptual development, literature review, data analysis, interpretation of findings and scholarly arguments were conducted independently by the author. The authors carefully reviewed, verified, and revised all AI-assisted outputs and assume full responsibility for the accuracy, originality, and integrity of the content presented in this manuscript.

CONFLICT OF INTEREST

The authors declared that there are no conflicts of interest regarding the publication of this article. The research was conducted independently without any external influence that could affect its objectivity or integrity. No financial, institutional, commercial, or personal relationships have impacted the design, methodology, data analysis, interpretation, or reporting of the findings. The authors ensured that the entire research process was carried out in accordance with academic ethics and maintained full transparency, impartiality, and scholarly responsibility in presenting the results of this study.

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